

# **PERPETUAL INDUSTRIES INC.**

**CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**FOR THE THREE MONTHS ENDED  
MARCH 31, 2021**

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## ITEM 1. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

### Perpetual Industries, Inc. and a Subsidiary

#### Financial Statements

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**PERPETUAL INDUSTRIES, INC. AND SUBSIDIARY**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

	<b>March 31, 2021 (Unaudited)</b>	<b>December 31, 2020</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 1,669,838	\$ 589,724
Accounts receivable	36,595	-
Inventory	10,310	-
Prepaid services	38,668	56,271
<b>Total current assets</b>	<b>1,755,411</b>	<b>645,995</b>
Property and equipment, net of accumulated depreciation	200,443	31,944
Intangible assets	720,284	-
	920,727	31,944
Right of use asset	31,013	41,159
Note receivable and accrued interest, related party	-	167,984
Goodwill	2,039,015	-
<b>Total non-current assets</b>	<b>2,990,755</b>	<b>241,087</b>
<b>Total assets</b>	<b>\$ 4,746,166</b>	<b>\$ 887,082</b>
<b>LIABILITIES</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	\$ 613,043	\$ 283,971
Accounts payable and accrued expenses - related party	13,899	30,441
Deferred revenue	3,500	-
Notes payable and accrued interest - related party	1,365,853	-
Due to related parties	197,381	-
Lease liability	31,014	41,159
<b>Total current liabilities</b>	<b>2,224,690</b>	<b>355,571</b>
<b>Non-current liabilities:</b>		
Payroll protection program loan	207,316	-
Economic Injury Disaster Loan Program (EIDL) loan	152,037	-
<b>Total liabilities</b>	<b>2,584,043</b>	<b>355,571</b>
Commitments and contingencies		
<b>STOCKHOLDERS' EQUITY</b>		
Preferred stock, \$0.0001 par value, 100,000,000 shares authorized; Series B: 2,000,000 shares authorized; 2,000,000 and 0 shares issued and outstanding at March 31, 2021 and December 31, 2020, respectively	200	-
Common stock, \$0.001 par value; 500,000,000 shares authorized 72,023,500 and 69,783,500 issued and outstanding at March 31, 2021 and December 31, 2020, respectively	72,023	69,983
Additional paid in capital	14,199,878	12,528,118
Other accumulated comprehensive loss	(9,385)	(11,131)
Accumulated deficit	(12,100,593)	(12,055,459)
<b>Total stockholders' equity</b>	<b>2,162,123</b>	<b>531,511</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 4,746,166</b>	<b>\$ 887,082</b>

The accompanying notes are an integral part of these financial statements

**PERPETUAL INDUSTRIES, INC. AND SUBSIDIARY**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**UNAUDITED**

	<b>For the Three Months Ended</b>	
	<b>March 31,</b>	<b>March 31,</b>
	<b>2021</b>	<b>2020</b>
Auction revenues	\$ 722,130	\$ -
Cryptocurrency mining revenue	10,284	-
Cost of sales	201,408	-
Gross profit	531,006	-
<b>Operating expenses</b>		
Management service, related parties	51,263	45,864
General and administrative expenses, related parties	19,297	16,757
General and administrative expenses	172,976	63,555
Research and development	12,635	-
Stock-based compensation	25,472	-
Outsourced consulting fees	271,287	48,000
<b>Total operating expenses</b>	552,930	174,176
Net operating loss	(21,924)	(174,176)
<b>Other income (expense)</b>		
Interest expense, non-related parties	(20,861)	(26,200)
Interest income - related party	-	2,992
Other income	309	349
Foreign currency adjustments	(2,658)	436
<b>Total other (expense)</b>	(23,210)	(22,423)
Net (loss)	(45,134)	(196,599)
Unrealized translation gain (loss)	1,746	4,947
Other comprehensive (loss)	\$ (43,388)	\$ (191,652)
Basic (loss) gain per share	\$ (0.00)	\$ (0.00)
Basis weighted average common shares outstanding	70,916,568	39,491,400
Diluted (loss) per share	\$ (0.00)	\$ (0.00)
Diluted weighted average common shares outstanding	99,716,568	65,881,733

The accompanying notes are an integral part of these financial statements

**PERPETUAL INDUSTRIES INC. AND SUBSIDIARY**  
**CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2021 (UNAUDITED)**

	Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	
	Shares	Amount	Shares	Amount				
<b>Balances, December 31, 2020</b>	0	\$ 0	69,983,500	\$ 69,983	\$ 12,528,118	\$ (11,131)	\$ (12,055,459)	\$ 531,511
Issuance of Series B Preferred Stock for acquisition of Worldwide Group	2,000,000	200			199,800			200,000
Issuance of common stock for cash			2,040,000	2,040	609,960			612,000
common stock for cash to be issued					352,000			352,000
common stock for acquisition of AutoGrafic software to be issued					510,000			510,000
Net loss for the three months ended March 31, 2021						1,746	(45,134)	(43,388)
<b>Balances, March 31, 2021</b>	<u>2,000,000</u>	<u>\$ 200</u>	<u>72,023,500</u>	<u>\$ 72,023</u>	<u>\$ 14,199,878</u>	<u>\$ (9,385)</u>	<u>\$ (12,100,593)</u>	<u>\$ 2,162,123</u>

**FOR THE THREE MONTHS ENDED MARCH 31, 2020 (UNAUDITED)**

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Shareholders Deficit
	Shares	Amount				
<b>Balances, December 31, 2019</b>	39,491,400	\$ 39,491	\$ 10,176,838	\$ (17,875)	\$ (11,153,085)	\$ (954,631)
Net loss for the three months ended March 31, 2020	-	-	-	4,947	(196,599)	(191,652)
<b>Balances, March 31, 2020</b>	<u>39,491,400</u>	<u>\$ 39,491</u>	<u>\$ 10,176,838</u>	<u>\$ (12,928)</u>	<u>\$ (11,349,684)</u>	<u>\$ (1,146,284)</u>

The accompanying notes are an integral part of these financial statements

**PERPETUAL INDUSTRIES, INC. AND SUBSIDIARY**  
**CONDENSED STATEMENTS OF CASH FLOWS**  
**UNAUDITED**

	For the Three Months Ended March 31, 2021	March 31, 2020
<b>Cash Flows from Operating Activities</b>		
Net (loss)	\$ (45,134)	\$ (196,599)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation expense	7,239	1,405
Interest income, related party	-	(2,992)
Changes in operating assets & liabilities		
Prepaid expenses	30,403	-
Accounts payable and accrued expenses	296	(3,919)
Accounts payable and accrued expenses - related parties	(17,771)	-
Deferred revenue	(7,450)	-
Net cash used by operating activities	(32,417)	(202,105)
<b>Cash Flows from Investing Activities</b>		
Cash acquired in business acquisition	30,201	-
Net cash from investing activities	30,201	-
<b>Cash Flows from Financing Activities</b>		
Proceeds from the issuance of common stock	964,000	-
Proceeds from payroll protection program loan	124,772	-
Payments on EIDL loan	(6,442)	-
Net cash provided by financing activities	1,082,330	-
(Decrease) Increase in Cash	1,080,114	(202,105)
Cash at beginning of period	589,724	624,547
Cash at end of period	\$ 1,669,838	\$ 422,442
<b>Supplemental Cash Flow Information</b>		
Cash paid for interest	\$ 20,897	\$ 1,733
Cash paid for income taxes	\$ -	\$ -
Series B Convertible Preferred Stock issued for acquisition	\$ 200,000	\$ -
Common Stock issued for acquisition	\$ 510,000	

The accompanying notes are an integral part of these financial statements

**PERPETUAL INDUSTRIES, INC. AND SUBSIDIARY**  
**NOTES TO**  
**FINANCIAL STATEMENTS**

**1. Nature of operations**

Perpetual Industries Inc. (the “Company”) was incorporated under the laws of Nevada in January 2005 and is headquartered in Auburn Indiana.

Perpetual is an incubator for innovative new technology. The company focuses on the development of disruptive, energy-efficient technologies and commercialization of products with the potential to impact and advance a wide range of industries on a global scale.

The company’s leadership team combines deep experience and trusted industry partners with the expertise and resources to guide the design and development of projects from initial stages through to novel end products. PRPI values and implements strict controls to ensure high levels of quality through all stages of research, development, manufacturing and commercialization.

Perpetual is focused on continued research, development and commercialization of its proprietary XYO Balancing Technology in key applications to target opportunity across multiple industry sectors.

The company is simultaneously leveraging its knowledge of energy-efficient technology and expertise in the development of low-cost, green energy solutions for various industries, including artificial intelligence, blockchain mining, graphic rendering, renewable energy, cloud computing and internet of things (“IoT”).

**2. Summary of significant accounting policies**

*Basis of Presentation*

The interim financial statements are condensed and should be read in conjunction with the Company’s latest annual financial statements; interim disclosures generally do not repeat those in the annual statements. The interim unaudited financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”).

In the opinion of management, the unaudited interim consolidated financial statements reflect all adjustments of a normal recurring nature that are necessary for a fair presentation of the results for the interim periods presented. Interim results are not necessarily indicative of results for a full year.

Perpetual Industries, Inc. has one wholly-owned subsidiary: Worldwide Group, LLC (“Worldwide”). The consolidated financial statements, which include the accounts of the Company and its wholly-owned subsidiary, are prepared in conformity with generally accepted accounting principles in the United States of America (U.S. GAAP). All significant intercompany balances and transactions have been eliminated. The consolidated financial statements, which include the accounts of the Company and its wholly-owned subsidiary, and related disclosures have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). The Financial Statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”) and presented in US dollars. The year end is December 31.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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. The most significant assumptions and estimates relate to the valuation of equity issued for services. Actual results could differ from these estimates.



## Revenue Recognition

The Company recognizes revenue in accordance with Accounting Standards Update (“ASU”) 2014-09, “*Revenue from contracts with customers*,” (Topic 606). Revenue is recognized when a customer obtains control of promised goods or services. In addition, the standard requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The amount of revenue that is recorded reflects the consideration that the Company expects to receive in exchange for those goods. The Company applies the following five-step model in order to determine this amount: (i) identification of the promised goods in the contract; (ii) determination of whether the promised goods are performance obligations, including whether they are distinct in the context of the contract; (iii) measurement of the transaction price, including the constraint on variable consideration; (iv) allocation of the transaction price to the performance obligations; and (v) recognition of revenue when (or as) the Company satisfies each performance obligation. The Company’s main revenue stream is from services. The Company recognizes as revenues the amount of the transaction price that is allocated to the respective performance obligation when the performance obligation is satisfied or as it is satisfied. Generally, the Company’s performance obligations are transferred to customers at a point in time, typically upon delivery.

## Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Company considers highly liquid investments with an original maturity of three months or less to be cash equivalents. The Company maintains cash balances at a financial institution that at times may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant risks related to cash.

## Accounts Receivable

Trade accounts receivable are stated net of an allowance for doubtful accounts. The Company performs ongoing credit evaluations of its customers’ financial condition. In limited instances, the Company may require an upfront deposit and, in most cases, the Company does charge interest on past due amounts. Management estimates the allowance for doubtful accounts based on review and analysis of specific customer balances that may not be collectible and how recently payments have been received. Accounts are considered for write-off when they become past due and when it is determined that the probability of collection is remote.

## Inventories

Inventories are stated at the lower of cost (first in, first out method) or market value. Inventory quantities on hand are reviewed regularly and a write-down for excess and obsolete inventory is recorded based primarily on an estimated forecast of product demand, market conditions and planned design changes.

## Property and Equipment

Fixed Assets are stated at cost and depreciated using the straight-line method over their estimated useful lives of 3 to 7 years. When retired or otherwise disposed, the related carrying value and accumulated depreciation are removed from the respective accounts and the net difference less any amount realized from disposition, is reflected in earnings.

## Common Stock

Shares of common stock have the following rights and privileges:

*Voting* – The holder of each share of common stock is entitled to one vote per share held. The holders of common stock shall be entitled to elect both members of the Board of Directors.

*Dividends* – Common stockholders are entitled to receive dividends, if and when declared by the Board of Directors, subject to the rights of holders of all classes of stock outstanding having priority rights as to dividends.

### Stock Based Compensation Expense

On June 20, 2018, the FASB issued ASU 2018-07, *Compensation—Stock Compensation* (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting. ASU 2018-07 is intended to reduce cost and complexity and to improve financial reporting for share-based payments to nonemployees (for example, service providers, external legal counsel, suppliers, etc.). Under the new standard, companies will no longer be required to value non-employee awards differently from employee awards. Meaning that companies will value all equity classified awards at their grant-date under ASC 718 and forgo revaluing the award after this date. The Company adopted ASU 2018-07 on April 1, 2019. The adoption of this standard did not have a material impact on the financial statements.

The Company applies the fair value method of Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 718, “*Share Based Payment*”, in accounting for its stock-based compensation. This standard states that compensation cost is measured at the grant date based on the fair value of the award and is recognized over the service period, which is usually the vesting period. The Company values stock-based compensation at the market price for the Company’s common stock and other pertinent factors at the grant date.

### Comprehensive Income (loss)

ASC Topic 220 (SFAS No. 130) establishes standards for reporting comprehensive income and its components. Comprehensive income or loss is defined as the change in equity during a period from transactions and other events from non-owner sources. The component of comprehensive income totaling \$1,746 and \$4,947 for the three months ended March 31, 2021 and 2020, respectively, related to foreign currency translation adjustment.

### Business Combinations

The Company accounts for business combinations using the acquisition method of accounting, under which consideration for the acquisition, including the fair value of any contingent consideration, is allocated to the assets acquired and liabilities assumed. The Company recognizes identifiable assets acquired and liabilities assumed (both specific and contingent) at the acquisition date fair values as determined by management as of the acquisition date. The excess of the consideration over the assets acquired net of liabilities assumed is recognized as goodwill and as bargain purchase where the consideration is less than the assets acquired net of liabilities assumed.

Acquisition-related costs, such as due diligence, legal and accounting fees, are expensed as incurred and not considered in determining the fair value of the acquired assets. Acquisition-related costs are reflected in selling, general and administrative expense in the consolidated statements of net and comprehensive income.

## Fair Value of Financial Instruments

In September 2006, the Financial Accounting Standards Board (FASB) introduced a framework for measuring fair value and expanded required disclosure about fair value measurements of assets and liabilities. The Company adopted the standard for those financial assets and liabilities as of the beginning of the 2008 fiscal year and the impact of adoption was not significant. FASB Accounting Standards Codification (ASC) 820 "Fair Value Measurements and Disclosures" (ASC 820) defines fair value 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. ASC 820 also establishes a fair value hierarchy that distinguishes between (1) market participant assumptions developed based on market data obtained from independent sources (observable inputs) and (2) an entity's own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs). The fair value hierarchy consists of three broad levels, which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below:

- Level 1—Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
- Level 2—Inputs other than quoted prices included within Level 1 that are observable for the asset or liability; either directly or indirectly, including quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability (e.g. interest rates); and inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3—Inputs that are both significant to the fair value measurement and unobservable.

The respective carrying value of certain on-balance-sheet financial instruments approximated their fair values due to the short-term nature of these instruments. These financial instruments include, accounts receivable, accounts payable and accrued expenses, notes payable, notes payable to related parties, related parties payable and Payroll Protection Program Loan and Economic Injury Disaster Loan Program (EIDL) loans. The Company has also applied ASC 820 for all non-financial assets and liabilities measured at fair value on a non-recurring basis. The adoption of ASC 820 for non-financial assets and liabilities did not have a significant impact on the Company's financial statements.

## Foreign Currencies

The Company determined that its functional currency is the United States dollar since the U.S. dollar is the currency of the environment in which the Company primarily generates and expends cash. Foreign currency transaction gains and losses represent gains and losses resulting from transactions entered into in a currency other than the functional currency of the Company. These transaction gains and losses are included in results of operations. For the three months ended March 31, 2021, the Company had a foreign currency translation loss of \$2,658 and for the three months ended March 31, 2020 the Company had a foreign currency gain of \$436.

## Income Taxes

The Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The Company records interest and penalties related to unrecognized tax benefits as a component of general and administrative expenses. Our consolidated federal tax return and any state tax returns are not currently under examination.

The Company has adopted FASB ASC 740-10, Accounting for Income Taxes, which requires an asset and liability approach to financial accounting and reporting for income taxes. Deferred income tax assets and liabilities are computed annually from differences between the financial statement and tax basis of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

The Company has filed its U.S. tax returns for 2016 and 2017. The Company is in the process of catching up their tax return filings from 2018 to 2020. The returns that have not been yet filed would result in taxable losses and tax losses available to offset future taxable income. The Company has not determined the amount of the potential benefits for these tax losses, because at this time it is more likely than not that the benefits will not be realized.

### Net Income (loss) Per Common Share

The Company computes loss per common share, in accordance with FASB ASC Topic 260, *Earnings Per Share*, which requires dual presentation of basic and diluted earnings per share. Basic income or loss per common share is computed by dividing net income or loss by the weighted average number of common shares outstanding during the period. Diluted income or loss per common share is computed by dividing net income or loss by the weighted average number of common shares outstanding, plus the issuance of common shares, if dilutive, that could result from the exercise of outstanding stock options and warrants.

### Leases

In February 2016, the FASB issued Accounting Standards Update (“ASU”) 2016-02, *Leases* (Topic 842). The updated guidance requires lessees to recognize lease assets and lease liabilities for most operating leases. In addition, the updated guidance requires that lessors separate lease and non-lease components in a contract in accordance with the new revenue guidance in ASC 606.

On January 1, 2019, the Company adopted ASU No. 2016-02, applying the package of practical expedients to leases that commenced before the effective date whereby the Company elected to not reassess the following: (i) whether any expired or existing contracts contain leases and; (ii) initial direct costs for any existing leases. For contracts entered into on or after the effective date, at the inception of a contract the Company assessed whether the contract is, or contains, a lease. The Company’s assessment is based on: (1) whether the contract involves the use of a distinct identified asset, (2) whether the Company obtains the right to substantially all the economic benefit from the use of the asset throughout the period, and (3) whether it has the right to direct the use of the asset. The Company will allocate the consideration in the contract to each lease component based on its relative stand-alone price to determine the lease payments.

Operating lease right of use (“ROU”) assets represents the right to use the leased asset for the lease term and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. As most leases do not provide an implicit rate, the Company uses an incremental borrowing rate based on the information available at the adoption date in determining the present value of future payments. Lease expense for minimum lease payments is amortized on a straight-line basis over the lease term and is presented on the statements of operations.

As permitted under the new guidance, the Company has made an accounting policy election not to apply the recognition provisions of the new guidance to short term leases (leases with a lease term of twelve months or less that do not include an option to purchase the underlying asset that the lessee is reasonably certain to exercise); instead, the Company will recognize the lease payments for short term leases on a straight-line basis over the lease term.

### Covid-19 Disclosure

The COVID-19 global pandemic may seriously negatively affect the Company’s operations and business. It is possible that this ongoing global pandemic may cause the Company to have to significantly delay or suspend its operations, which would likely result in a material adverse impact on its business and financial positions.

Furthermore, the Company may be unable to raise sufficient capital due to COVID-19’s effects on the general economy and the capital markets. If the Company is not able to obtain financing due to COVID-19, then it is highly likely that it will be forced to cease operations. Smaller companies such as Seafarer, who lack significant revenues, earnings and cash flows as well as who lack diversified business operations are particularly vulnerable to having to potentially cease operations due to the effects of COVID-19. If the Company were to be unable to raise capital and cease its operations then it would be very highly likely that the Company would not survive and lenders and investors would suffer a complete loss of all capital loaned to or invested in the Company.

## Recent Accounting Pronouncements

In August 2018, the FASB issued Accounting Standards Update 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement (“ASU 2018-13”), which modifies the disclosure requirements on fair value measurements. ASU 2018-13 is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, with partial early adoption permitted for eliminated disclosures. The method of adoption varies by the disclosure. The Company has implemented this guidance in the current period effective January 1, 2021.

In December 2019, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes* (ASU 2019-12), which simplifies the accounting for income taxes. This guidance will be effective for entities for the fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020 on a prospective basis, with early adoption permitted. The Company will adopt the new standard effective December 1, 2021 and does not expect the adoption of this guidance to have a material impact on our consolidated financial statements.

The Company has considered all other recently issued accounting pronouncements and does not believe the adoption of such pronouncements will have a material impact on its unaudited condensed consolidated financial statements.

## Comparative Figures

Certain comparative figures have been arranged to conform to current period presentation.

### **3. Concentration of credit risks**

The Company maintains accounts with financial institutions. All cash in checking accounts is non-interest bearing and is fully insured by the Federal Deposit Insurance Corporation (FDIC). At times, cash balances may exceed the maximum coverage provided by the FDIC on insured depositor accounts. The Company believes it mitigates its risk by depositing its cash and cash equivalents with major financial institutions. At March 31, 2021 and December 31, 2020, the Company had \$1,011,835 in excess of FDIC insurance.

### **4. Property And Equipment**

Fixed assets consisted of the following at March 31, 2021 and December 31, 2020:

	<b>March 31, 2021</b>	<b>December 31, 2020</b>
Computer hardware	\$ 67,770	\$ 45,833
Machinery & equipment	143,294	-
Furniture and fixtures	30,520	10,554
Trailer	23,244	23,244
Computers and peripherals	9,736	9,736
Leasehold improvements	64,343	-
	338,907	89,367
Less: Accumulated depreciation	(138,464)	(57,423)
Property and Equipment - net	\$ 200,443	\$ 31,944

Depreciation expense was \$7,239 and \$1,405 for the three months ended March 31, 2021 and 2020, respectively.

## 5. Intangible Assets

	<b>March 31, 2021</b>	<b>December 31, 2020</b>
AutoGrafic software system	\$ 710,000	\$ -
Cryptocurrency	10,284	-
Intangible assets - net	<u>\$ 720,284</u>	<u>\$ -</u>

The AutoGrafic software was purchased on March 31, 2021. See Note 7.

The Company has several cryptocurrency mining computers which perform mining transactions that earn commissions paid out in Ethereum (ETH) and Bitcoin. We are paid in ETH and Bitcoin and it is deposited into a crypto wallet located on the Blockchain. Because digital currencies do not meet the definition of cash, inventory, or financial assets in current accounting guidance, we have elected to treat them as indefinite-lived intangible assets.

Estimated amortization expense for each of the next five years:

Fiscal year ended December 31, 2021	\$ 177,500
Fiscal year ended December 31, 2022	236,667
Fiscal year ended December 31, 2023	236,667
Fiscal year ended December 31, 2024	59,166
Fiscal year ended December 31, 2025	-
Fiscal year ended December 31, 2026	-
Total	<u>\$ 710,000</u>

## 6. Operating lease right-of-use assets and operating lease liabilities

The Company leases 6,000 square feet of office space located at Kruse Plaza at 5634 Opportunity Boulevard, Suite F, Auburn, Indiana 46706. The Company entered into a third party lease agreement commencing on January 1, 2020 through December 31, 2021 with a base rent of \$3,500 per month.

Operating lease right-of-use assets and liabilities are recognized at the present value of the future lease payments at the lease commencement date. The interest rate used to determine the present value is our incremental borrowing rate, estimated to be 7%, as the interest rate implicit in most of our leases is not readily determinable. Operating lease expense is recognized on a straight-line basis over the lease term. During the three months ended March 31, 2021, the Company recorded \$10,500 as operating lease expense which is included in general and administrative expenses on the statements of operations.

Right-of- use assets are summarized below:

	March 31, 2021
Office lease	\$ 80,806
Less: accumulated amortization	(49,792)
Right-of-use assets, net	<u>\$ 31,014</u>

Operating lease liabilities are summarized below:

	March 31, 2021
Office lease	\$ 31,014
Less: current portion	(31,014)
Long term portion	<u>-</u>

Maturity of lease liabilities are as follows:

Fiscal year ending December 31, 2021	31,500
	<u>31,500</u>
Less: imputed interest	(486)
Lease liability	<u>\$ 31,014</u>

## 7. Asset acquisition

On March 31, 2021 ('effective date'), the Company entered into an agreement to acquire the AutoGrafic Software System ("AutoGrafic") from Lavine Restorations, Inc. ("LRI"). AutoGrafic is a social application for hosting automotive promotion and preservation. The purchase price of the acquisition is \$710,000 payable as follows: (i) \$100,000 due on the effective date, (ii) \$100,000 paid in full over twelve months immediately following the effective date, (iii) 1,000,000 shares of the Company's common stock valued at \$0.30 per share transferred within 14 days from the effective date and (iv) 700,000 shares of the Company's common stock valued at \$0.30 per share in which delivery will be determined at a later date by the parties.

## 8. Business acquisition

### *Worldwide Group, LLC.*

On January 22, 2021, the Company completed its acquisition of all of the issued and outstanding units of Indiana-based Worldwide Group, LLC. (“Worldwide”), operating under the business name Worldwide Auctioneers, pursuant to a Membership Interest Purchase agreement (the “Agreement”). Pursuant to the Agreement, which was unanimously approved by the Company’s board of directors, Worldwide will operate independently under the Worldwide Auctioneers brand as a wholly-owned subsidiary of the Company.

Worldwide is a boutique auction company that specializes in the sale and acquisition of classic vintage motorcars at auction around the globe. They also offer an extensive range of personalized services to collectors, including private sales, appraisal, collection direction and consultancy, estate planning, and asset management. Worldwide is a leader in the Collector Car Auction industry with an impressive 20 year history and a talented team of experienced people. Worldwide houses a physical and virtual showroom, and a dedicated memorabilia division at its extensive headquarters located in Auburn, Indiana.

In connection with the agreement, the Company issued 2,000,000 shares of the Company’s Series B Preferred Stock valued at \$200,000 as consideration.

#### **Consideration**

2,000,000 shares of Series B Preferred Stock	\$	200,000
Total consideration	\$	200,000

#### **Fair values of identifiable net assets and liabilities:**

##### *Assets*

Cash	\$	30,201
Accounts receivable		37,870
Deposits and prepaids		32,514
Inventory		10,310
Other receivables		22,209
Property and Equipment		169,414
Total assets		302,518

##### *Liabilities:*

Accounts payable		53,804
Credit cards		48,835
Accrued liabilities		249,620
Deferred revenue		10,950
Loans payable		1,778,324
Total liabilities		2,141,533

<b>Total fair value of identifiable net assets and liabilities</b>	<b>\$</b>	<b>(1,839,015)</b>
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<b>Goodwill (consideration given minus fair value of identifiable net assets and liabilities)</b>	<b>\$</b>	<b>2,039,015</b>
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The goodwill calculated was \$2,039,015.. Management is in the process of completing the full purchase price allocation. The current allocation is based on the preliminary fair value of the identifiable tangible assets and liabilities, as of the acquisition date.



## 9. Notes receivable, related party

On July 3, 2019, the Company entered into a non-binding letter of intent with Worldwide Group, LLC (“seller”) to purchase an automotive marketing business (the “Asset”) in Indiana to be used in connection with its business. Rod Egan, a current director of Perpetual Industries, is a managing partner of Worldwide Group, LLC. The acquisition is contingent on the parties entering into a Purchase Agreement at a later date. In connection with the non-binding letter of intent, the Company agreed to loan Worldwide Group, LLC \$150,000 to finance the purchase of the Asset. The loan had a coupon rate of 8% and had a maturity date of January 3, 2021.

On January 22, 2021, as mentioned in Note 4, the acquisition was completed. As such the notes receivable, related party is eliminated due to consolidation.

## 10. Accounts payable and accrued expenses

Accrued expenses as of March 31, 2021 and December 31, 2020, consisted of the following:

	<b>March 31, 2021</b>	<b>December 31, 2020</b>
Accounts payable	\$ 111,646	\$ 37,698
Accrued interest	15,621	15,621
Accrued legal fees	125,000	125,000
Accrued audit fees	59,067	59,067
Accrued rent	52,500	42,000
Accrued liabilities - AutoGrafic consideration	200,000	-
Accrued payroll taxes	3,487	-
Credit cards	33,472	-
<b>Total</b>	<b>\$ 613,403</b>	<b>\$ 279,386</b>

## 11. Payroll protection program and Economic Injury Disaster Loan Program (EIDL) loans

The Company, through its wholly-owned subsidiary, Worldwide, received loan proceeds in the amount of \$83,373 on May 3, 2020 and \$124,772 on March 15, 2021 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the period.

The unforgiven portion of the PPP loan is payable over five years at an interest rate of 1%, with a deferral of payments for the first twelve months. The Company is currently in the process of applying for forgiveness but cannot be assured of forgiveness for all or part of the PPP borrowings. As of March 31, 2021, the balance of accrued interest related to these loans is \$827.

On July 13, 2020, the Company, through its wholly-owned subsidiary, Worldwide, received loan proceeds of \$149,900 under the Economic Injury Disaster Loans (EIDL). As of March 31, 2021, the balance of accrued interest related to these loans is \$4,067.

## 12. Related party transactions and commitments

### Notes Receivable

On July 3, 2019, the Company entered into a non-binding letter of intent with Worldwide Group, LLC (“seller”) to acquire all of its outstanding units. Rod Egan, a current director of Perpetual Industries and managing partner of Worldwide Group, LLC. The acquisition is contingent on the parties entering into a Purchase Agreement at a later date. In connection with the non-binding letter of intent, the Company agreed to loan Worldwide Group, LLC \$150,000. The loan has a coupon rate of 8% and has a maturity date of January 3, 2021.

The balances of related party notes receivable is as follows:

	March 31, 2021	December 31, 2020
Notes receivable, related party*	\$ -	\$ 150,000
Interest receivable, related party	-	17,984
Total notes receivable – related party	\$ -	\$ 167,984

\* On January 22, 2021, as mentioned in Note 4, the acquisition was completed. As such the notes receivable, related party is eliminated due to consolidation.

### Notes Payable

The Company, through its wholly-owned subsidiary Worldwide has a loan with Osmium Holdings LLC (“Osmium”). Osmium owns greater than 10% of the Company’s common stock outstanding. The loans are as follows:

- On December 1, 2018, Worldwide received \$1,500,000 against a line of credit promissory note from Osmium. The interest rate is 7.5% and the maturity date is November 30, 2021. The principal balance of this loan was \$1,365,853 as of March 31, 2021. As of March 31, 2021, there is no accrued interest on this loan as the Company makes monthly interest payments.

### Due to Related Parties

The members of Worldwide prior to its acquisition on January 22, 2021 were Twin Grille Holdings, LLC. which is controlled by Rod Egan (“TGH”) and Junebug Holdings, Inc., which is controlled by John Kruse (“JHI”). These entities are still considered related parties. The Company owes these entities for past services amounting to \$113,477 for TGH and \$83,904 for JHI.

### Management Service

During the three months ended March 31, 2021 and 2020, the Company accrued management fees owed to Brent Bedford, the Company’s Chairman, President and CEO in the amount of \$0 and \$19,864, respectively. During the three months ended March 31, 2021, the Company paid Brent Bedford \$37,763 in management fees. Brent Bedford has an oral agreement under which he provides management services through a private entity that he owns. The expenses are classified in the statement of operations as management service, related party.

During the three months ended March 31, 2021 and 2020, the Company paid management fees to Trip Thomas, the Company’s CFO in the amount of \$0 and \$8,000, respectively. Trip Thomas has an oral agreement under which he provides management services through a private entity that he owns. The expenses are classified in the statement of operations as management service, related party.

During the three months ended March 31, 2021 and 2020, the Company paid management fees to Carl Dilley, the Company’s COO in the amount of \$13,500 and \$18,000, respectively. Carl Dilley has an oral agreement under which he provides management services through two private entities that he owns. The expenses are classified in the statement of operations as management service, related party.

### General and Administrative Expenses

During the three months ended March 31, 2021 and 2020, Shelley Bedford, a small shareholder of the Company and a relative of the Company's president, provided office management and administration support through a private entity that she owns amounting to \$16,521 and \$16,757, respectively. During the three months ended March 31, 2021 and 2020, the Company also obtained network and website maintenance services from this private entity for \$416 and \$278 respectively. As of March 31, 2021 and December 31, 2020, the Company owed this small shareholder \$5,991 and \$2,603 respectively. During the three months ended March 31, 2021 and 2020, Brent Bedford, Chairman, President and CEO, provided office space, storage, and internet services through a private entity that he owns, to the Company totaling \$2,360 and \$2,707, respectively.

Related party operating expenses comprised of the following:

	<b>Three Months Ended March 31, 2021</b>	<b>Three Months Ended March 31, 2020</b>
Management service – related party	\$ 51,263	\$ 45,864
<b>General and Administrative Expense:</b>		
Office management & administrative support	16,521	16,757
Rent	2,360	2,207
Network and website maintenance	416	278
Total general and administrative – related party	19,297	19,242
Total related party operating expenses	\$ 70,560	\$ 65,106

Related party other income comprised of the following:

	<b>Three Months Ended March 31, 2021</b>	<b>Three Months Ended March 31, 2020</b>
Interest income, related party	\$ -	\$ 2,992
Total other income– related party	\$ -	\$ 2,992

### Accounts payable

The balance of accounts payable, related party comprised of the following:

	<b>As of March 31, 2021</b>	<b>Year Ended December 31, 2020</b>
Plectrum Enterprises, Inc. (owned by Brent Bedford, CEO)	\$ 270	\$ 21,476
Brent Bedford, CEO	6,173	2,175
Flip Flop Studios (owned by Shelley Bedford, relative of CEO)	5,991	2,604
Total accounts payable – related party	\$ 12,434	\$ 26,255

### 13. Equity

#### Common Stock

##### *Three months ended March 31, 2021*

In connection with a Reg D-506(c) Common Stock Offering, the Company sold 3,213,000 common shares for \$964,000, or \$0.30 per share. During the three months ended March 31, 2021, 2,040,000 were issued. As of March 31, 2021, 1,173,333 are categorized in common stock to be issued.

In connection with the AutoGrafic software system purchase, the Company committed to issue 1,700,000 shares. As of March 31, 2021, these shares are classified in additional paid in capital to be issued.

##### *Year ended December 31, 2020*

On August 12, 2020, we issued 340,000 shares of common stock for \$102,000, or \$0.30 per share.

On August 30, 2020, the Company issued 29,432,100 shares of common stock in exchange for the conversion of \$1,310,000 in principal and \$161,605 in accrued interest.

On October 14, 2020, we issued 170,000 shares of common stock for \$51,000, or \$0.30 per share.

On November 18, 2020, we issued 850,000 shares of common stock for \$255,000, or \$0.30 per share.

On December 20, 2020, we issued 843,333 shares of common stock for \$253,000, or \$0.30 per share.

On November 5, 2020, we issued 350,000 shares of common stock in extinguishment of \$70,000 in accounts payable.

#### Stock Options Issuance

On September 12, 2014, the Board of Directors adopted the Company's "2014 Stock Option Plan" (the "Plan") effective immediately. The maximum number of options issuable under the Plan is 15% of the Company's issued and outstanding shares at the time of any grant. If any shares of common stock subject to an award under the Plan are forfeited, expire, are settled for cash or are tendered by the participant, or withheld by the Company to satisfy any tax withholding obligation, then, in each case, the shares subject to the award may be used again for awards under the Plan to the extent of the forfeiture, expiration, cash settlement, or withholding. The stock option awards issuable under the Plan can be made up of non-statutory stock options only; the Plan does not contemplate incentive options. The Plan dictates that stock options will be granted for terms, prices, and quantities determined at the Board's discretion, with quantities being in multiples of 1,000 shares. Non-statutory stock options are available to independent contractors and consultants as well as to employees.

Options to purchase common stock were granted to directors and consultants as follows:

Grant Date	<u>May 31, 2018</u>	<u>October 31, 2019</u>	<u>November 18, 2020</u>	<u>December 31, 2020</u>
Options granted	4,900,000	450,000	1,200,000	1,250,000
Expiration date	May 31, 2021	October 31, 2022	November 18, 2023	December 31, 2023
Vesting Criteria	Immediate Vest	Immediate Vest	Immediate Vest	Immediate Vest
Grant date fair value	<u>\$ 1,194,970</u>	<u>\$ 3,400</u>	<u>\$ 204,290</u>	<u>\$ 318,892</u>

The Company valued these options using the Black-Scholes Model using inputs as detailed below:

Grant Date	May 31, 2018	October 31, 2019	November 18, 2020	December 31, 2020
<b>Black-Scholes Inputs:</b>				
Underlying price	\$0.025	\$0.03	\$0.20	\$0.30
Contractual strike price	\$0.10	\$0.10	\$0.10	\$0.20
Expected term	1.50 Years	1.50 Years	1.50 Years	1.50 Years
<b>Market volatility:</b>				
Equivalent Volatility	131.19%	125.25%	203.73%	218.07%
Interest rate	2.36%	1.53%	0.11%	0.10%

Per the terms of the Plan, options vest immediately upon grant. Optionees are precluded from selling, transferring or otherwise disposing of any Optioned Shares during the twelve months immediately following the grant of the Options, and shall be limited to a resale volume not exceeding 1% of the Company's issued and outstanding stock in any three-month period.

At March 31, 2021 and December 31, 2020, the Company had options outstanding to purchase a total of 10,488,525 shares of common stock under the Plan (the "Option Grant"), respectively. The options include options to purchase 1,400,000 shares granted to consultants and/or independent contractors of the Company that are not executive officers as defined in Rule 501(f) of Reg (D).

#### Warrants

As of March 31, 2021 and December 31, 2020, the Company had 21,000,000 and 21,000,000 warrants outstanding, respectively. The warrants, which were issued in 2018, were valued using a Black-Scholes Merton ("BSM") model. The value of \$1,159,200 was recorded in additional paid-in capital.

#### **14. Going Concern**

The Company's financial statements are prepared using the generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. At March 31, 2021 and December 31, 2020, the Company had \$1,669,838 and \$589,724 in cash and \$469,279 in negative working capital and \$290,424 in working capital. For the three months ended March 31, 2021 and 2020, the Company had net losses of \$45,134 and \$196,599, respectively. Continued losses may adversely affect the liquidity of the Company in the future. In view of the matters described in the preceding paragraph, recoverability of a major portion of the recorded asset amounts shown in the accompanying balance sheet is dependent upon continued operations of the Company, which in turn is dependent upon the Company's ability to raise additional capital, obtain financing and to succeed in its future operations. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

The Company has operating costs and expenses at the present time for development of its business activities. The Company, however, will be required to raise additional capital over the next twelve months to meet its current administrative expenses, and it may do so in connection with or in anticipation of possible acquisition transactions. This financing may take the form of additional sales of its equity securities loans from its directors and or convertible notes. There is no assurance that additional financing will be available, if required, or on terms favorable to the Company.

**15. Commitments and Contingencies**

The Company had no commitments and contingencies at March 31, 2021 and December 31, 2020.

**16. Subsequent Events**

In April 2021, the Company issued a total of 4,160,300 Common Shares in the following categories:

Stock payable from prior periods	2,936,800
To satisfy outstanding rent payable at Kruse Plaza and to the end of June 2021	295,400
Sale of shares as part of the Reg D-506(c) Offering	340,000
Share bonus compensation to key people of Worldwide Auctioneers	288,100
Compensation for developer’s work on AutoGrafic Software System	300,000

On April 15, 2021, a total of 1,345,000 non-qualified stock options were granted to employees and consultants of Worldwide Auctioneers as part of an incentive program. The Options were set at \$0.25 per share and vested immediately for a term of three years expiring April 15, 2024.

On April 16, 2021 an additional 340,000 common shares were issued as part of the Reg D-506(c) Common Stock Offering, raising an additional \$102,000 in capital for the Company.

On May 5, 2021 the Company filed a Notice (Form 51-105 ) with the British Columbia Securities Commission (BCSC) to remove British Columbia, Canada as a reporting jurisdiction. Perpetual is no longer required to file continuous reporting in that province.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

*This Management's Discussion and Analysis of Financial Condition and Results of Operations contain certain forward-looking statements. Historical results may not indicate future performance. Our forward-looking statements reflect our current views about future events; are based on assumptions and are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from those contemplated by these statements. Factors that may cause differences between actual results and those contemplated by forward-looking statements include, but are not limited to, those discussed in the section titled "Risk Factors" of our December 31, 2020 annual report. We undertake no obligation to publicly update or revise any forward-looking statements, including any changes that might result from any facts, events, or circumstances after the date hereof that may bear upon forward-looking statements. Furthermore, we cannot guarantee future results, events, levels of activity, performance, or achievements.*

### ***Basis of Presentation***

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP").

### ***Forward-Looking Statements***

Some of the statements under "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this Quarterly Report on Form 10-Q constitute forward-looking statements. Forward-looking statements relate to expectations, beliefs, projections, future plans and strategies, anticipated events or trends and similar matters that are not historical facts. In some cases, you can identify forward-looking statements by terms such as "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "plan," "potential," "should," and "would" or the negatives of these terms or other comparable terminology.

You should not place undue reliance on forward-looking statements. The cautionary statements set forth in this Quarterly Report on Form 10-Q identify important factors, which you should consider in evaluating our forward-looking statements. These factors include, among other things:

- The speculative nature of the business we intend to develop;
- Our reliance on suppliers and customers;
- Our dependence upon external sources for the financing of our operations, particularly given that there are concerns about our ability to continue as a "going concern;"
- Our ability to effectively execute our business plan;
- Our ability to manage our expansion, growth and operating expenses;
- Our ability to finance our businesses;
- Our ability to promote our businesses;
- Our ability to compete and succeed in highly competitive and evolving businesses;

This report should be read completely and with the understanding that actual future results may be materially different from what we expect. The forward-looking statements included in this report are made as of the date of this report and should be evaluated with consideration of any changes occurring after the date of this Report. We will not update forward-looking statements even though our situation may change in the future and we assume no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

## ***Organization***

Perpetual Industries Inc. (“Perpetual or the Company”) is a Nevada corporation formed on January 25, 2005 with a principal business address for its operations, research, and development activities located at 5634 Opportunity Blvd., Unit F, Auburn, Indiana, USA, 46706. Phone: 702-707-9811.

Perpetual has not been involved in any bankruptcy, receivership, or similar proceeding. There has been no material reclassification, merger, consolidation, or purchase or sale of a significant amount of assets not in the ordinary course of business.

Perpetual Industries is a reporting issuer in the Canadian provinces of Alberta and British Columbia.

Perpetual Industries is an incubator for new and innovative ideas. The Company’s sophisticated network of experts provide essential components to support innovative ideas that have the potential to impact and advance a wide range of industries on a global scale. Perpetual’s team of business people have access to a vast international network of contacts and resources that enable the Company to provide essential components needed to take an idea from the initial stage through to commercialization.

## ***Business***

Perpetual is an emerging growth company with an impressive R&D portfolio, income-generating divisions and wholly-owned subsidiary. It is an incubator for innovative new technology. The company focuses on the development of disruptive, energy-efficient technologies and commercialization of products with the potential to impact and advance a wide range of industries on a global scale. The company is simultaneously leveraging its knowledge of energy-efficient technology and expertise in the development of low-cost, green energy solutions for various industries, including artificial intelligence, blockchain mining, graphic rendering, renewable energy, cloud computing and internet of things (“IoT”). All research and development, and other work relating to its subsidiary and core divisions are performed internally at the company’s Indiana facility.

### R&D Portfolio:

**XYO Mechanical Balancing Technology** – This is a core division and key area of focus in the Company that includes research, development, and commercialization of new and innovative energy efficient products that delivers high-performance solutions that overcome challenges and inefficiencies that commonly impact rotating equipment, machinery, and devices.

**WindSilo Vertical Axis Wind Turbine (VAWT)** – The design of this proprietary turbine is engineered to enable much faster spin speeds and result in greater energy output by incorporating the XYO Technology.

**XYO Washing Machine** – Planning is underway to development an OEM proprietary domestic washing machine design that integrates XYO Mechanical Balancers to dynamically compensate for variable mass imbalance during the spin cycle.

**Green Energy Mining Solution (GEM)** - Leveraging expertise and knowledge of environmentally friendly technologies, Perpetual is developing low cost, environmentally responsible energy solutions designed to power large-scale data center and blockchain mining operations. Incorporation of Masternodes, Proof of Stake, Proof of Work, and DApps are all part of our GEM System.

### Subsidiaries and Divisions:

Perpetual Industries has recently closed two key acquisitions, which now form powerful synergistic subsidiaries and divisions of the company, increase its footprint across multiple rapidly growing markets and expand its diverse revenue streams. In addition, the company is working on the development of solutions that integrate the powerful capabilities of disruptive blockchain technology.

**Worldwide Auctioneers** - The Worldwide Group LLC, operating as Worldwide Auctioneers, is a U.S.- based boutique auction firm. This newly acquired division of Perpetual specializes in the sale and acquisition of classic vintage motorcars at auction around the globe. Worldwide has a successful 20-year track record and a talented leadership team focused on offering an extensive range of personalized services to collectors.

**AutoGrafic Software System** - AutoGrafic is a software-as-a-service (“SaaS”) and social application that utilizes cutting-edge technology to host a myriad of capabilities for automotive promotion and preservation. AutoGrafic serves as an additional foundational component of Perpetual Industries’ rapidly expanding blockchain division. The application is expected to greatly benefit Worldwide Auctioneers by bringing new innovation and technology to its customers and the overall collector car industry. Perpetual Industries intends to capitalize on this growing marketplace sector through creating an immersive interactive experience as well as a central hub designed to attract the next generation of car enthusiasts.



**Blockchain** - Perpetual Industries is developing decentralized applications and in-house blockchain tokens to support growth, sales and loyalty across all of its divisions that include DApps, digital coins, & tokens, loyalty programs, and smart contracts.

#### Comparative Figures

Certain comparative figures have been arranged to conform to current period presentation.

#### ***Related party transactions and commitments***

##### Notes Receivable

On July 3, 2019, the Company entered into a non-binding letter of intent with Worldwide Group, LLC (“seller”) to acquire all of its outstanding units. Rod Egan, a current director of Perpetual Industries and managing partner of Worldwide Group, LLC. The acquisition is contingent on the parties entering into a Purchase Agreement at a later date. In connection with the non-binding letter of intent, the Company agreed to loan Worldwide Group, LLC \$150,000. The loan has a coupon rate of 8% and has a maturity date of January 3, 2021.

The balances of related party notes receivable is as follows:

	March 31, 2021	December 31, 2020
Notes receivable, related party	\$ -	\$ 150,000
Interest receivable, related party	-	17,984
Total notes receivable – related party	\$ -	\$ 167,984

On January 22, 2021, as mentioned in Note 4, the acquisition was completed. As such the notes receivable, related party is being recognized as an intercompany loan going forward.

##### Notes Payable

The Company, through its wholly-owned subsidiary Worldwide has a loan with Osmium Holdings LLC (“Osmium”). Osmium owns greater than 10% of the Company’s common stock outstanding. The loans are as follows:

- On December 1, 2018, Worldwide issued a \$1,500,000 line of credit promissory note to Osmium. The interest rate is 7.5% and the maturity date is November 30, 2021. The balance of this loan was \$1,365,853 as of March 31, 2021.

##### Due to Related Parties

The members of Worldwide prior to its acquisition on January 22, 2021 were Twin Grille Holdings, LLC. which is controlled by Rod Egan (“TGH”) and Junebug Holdings, Inc., which is controlled by John Kruse (“JHI”). These entities are still considered related parties. The Company owes these entities for past services amounting to \$113,477 for TGH and \$83,904 for JHI.

##### Management Service

During the three months ended March 31, 2021 and 2020, the Company accrued management fees owed to Brent Bedford, the Company’s Chairman, President and CEO in the amount of \$0 and \$19,864, respectively. During the three months ended March 31, 2021, the Company paid Brent Bedford \$37,763 in management fees. Brent Bedford has an oral agreement under which he provides management services through a private entity that he owns. The expenses are classified in the statement of operations as management service, related party.

During the three months ended March 31, 2021 and 2020, the Company paid management fees to Trip Thomas, the Company’s CFO in the amount of \$0 and \$8,000, respectively. Trip Thomas has an oral agreement under which he provides management services through a private entity that he owns. The expenses are classified in the statement of operations as management service, related party.

During the three months ended March 31, 2021 and 2020, the Company paid management fees to Carl Dilley, the Company’s COO in the amount of \$13,500 and \$18,000, respectively. Carl Dilley has an oral agreement under which he provides management services through two private entities that he owns. The expenses are classified in the statement of operations as management service, related party.

### General and Administrative Expenses

During the three months ended March 31, 2021 and 2020, Shelley Bedford, a small shareholder of the Company and a relative of the Company's president, provided office management and administration support through a private entity that she owns amounting to \$16,521 and \$16,757, respectively. During the three months ended March 31, 2021 and 2020, the Company also obtained network and website maintenance services from this private entity for \$416 and \$278 respectively. As of March 31, 2021 and December 31, 2020, the Company owed this small shareholder \$5,991 and \$2,603 respectively. During the three months ended March 31, 2021 and 2020, Brent Bedford, Chairman, President and CEO, provided office space, storage, and internet services through a private entity that he owns, to the Company totaling \$2,361 and \$2,707, respectively.

Related party operating expenses comprised of the following:

	<b>Three Months Ended March 31, 2021</b>	<b>Three Months Ended March 31, 2020</b>
Management service – related party	\$ 51,263	\$ 45,864
<b>General and Administrative Expense:</b>		
Office management & administrative support	16,521	16,757
Rent	2,360	2,207
Network and website maintenance	416	278
Total general and administrative – related party	19,297	19,242
Total related party operating expenses	\$ 70,560	\$ 65,106

Related party other income (expense) comprised of the following:

	<b>Three Months Ended March 31, 2021</b>	<b>Three Months Ended March 31, 2020</b>
Interest income, related party	\$ -	\$ 2,992
Total other income (expense) – related party	\$ -	\$ 2,292

### Accounts payable

The balance of accounts payable, related parties comprised of the following:

	<b>As of March 31, 2021</b>	<b>Year Ended December 31, 2020</b>
Plectrum Enterprises, Inc. (owned by Brent Bedford, CEO)	\$ 270	\$ 21,476
Brent Bedford, CEO	6,173	2,175
Flip Flop Studios (owned by Shelley Bedford, relative of CEO)	5,991	2,604
Total accounts payable – related parties	\$ 12,434	\$ 26,255

## RESULTS OF OPERATIONS

The following information represents our results of operations for the three months ended March 31, 2021 compared to the three months ended March 31 2020:

### *Three Months Ended March 31, 2021 compared to Three Months Ended March 31, 2020*

Increase/(Decrease)			2021 vs. 2020	
	2021	2020	\$	%
	Unaudited	Unaudited		
<b>Revenues</b>				
Auction revenues	\$ 722,130	-	722,130	100%
Cryptocurrency mining revenue	10,284	-	10,284	100%
Cost of sales	201,408	-	201,408	100%
Gross profit	531,006	-	531,006	100%
<b>Operating expenses:</b>				
Personnel expenses, related party	51,263	45,864	5,399	12%
General and administrative expenses, related party	19,297	19,242	55	0%
General and administrative expenses	172,976	61,070	111,906	183%
Research and development	12,635	-	12,635	100%
Stock-based compensation	25,472	-	25,472	100%
Outsource consulting fees	271,287	48,000	223,287	465%
Total operating expenses	552,930	174,176	378,754	217%
Net operating loss	(21,924)	(174,176)	(378,754)	217%
<b>Other income (expense):</b>				
Interest expense, non-related party	(20,861)	(26,200)	5,339	-20%
Interest income - related party	-	2,992	(2,992)	100%
Other income	309	349	(40)	100%
Foreign currency adjustments	(2,658)	436	(3,094)	(710%)
Total other income (expense)	(23,210)	(22,423)	(787)	4%
Net income (loss)	\$ (45,513)	\$ (196,599)	\$ 151,465	(77%)

## ***Revenues***

The auction revenues of \$722,130 were derived from our wholly-owned subsidiary Worldwide which we acquired on January 22, 2021. The crypto-currency mining revenue in the amount of \$10,284 was derived during the quarter as we added a new revenue stream.

## ***Cost of sales***

The cost of sales of \$201,408 were directly related to the auction revenues of \$722,130, which were derived from our wholly-owned subsidiary Worldwide which we acquired on January 22, 2021.

## ***Operating Expenses***

### ***Management services, related party***

We incurred management fees in the amount of \$51,263 for the three months ended March 31, 2021 versus \$45,864 for the three months ended March 31, 2020, an increase of \$5,399.

### ***General and administrative expenses, related party***

General and administrative expenses include all related party costs associated with office management and administration support, rent, internet, network and website maintenance. We incurred general and administrative expenses, related party of \$19,297 for the three months ended March 31, 2021 versus \$19,242 for the three months ended March 31, 2020.

### ***General and administrative expenses***

General and administrative expenses include all costs associated with professional, legal fees, insurance, rent, dues, subscriptions. We incurred general and administrative expenses of \$172,976 for the for the three months ended March 31, 2021 versus \$61,070 for the three months ended March 31, 2020. The increase of \$111,906, or 122% primarily relates to the activity picked up in the Worldwide acquisition.

### ***Research and development***

We incurred research and development expenses in the amount of \$12,635 for the three months ended March 31, 2021 versus \$0 for the three months ended March 31, 2020. The Research and development expenses related to cryptocurrency mining, and the WindSilo Wind Turbine.

### ***Stock-based Compensation***

We recorded stock-based compensation in the amount of \$25,472 for the three months ended March 31, 2021 versus \$0 for the three months ended March 31, 2020. This amount relates to amortization of stock issued in the fourth quarter of 2020 for future services.

### ***Outsourced Consulting Fees***

Outsourced consulting fees include fees paid to outside consultants. We incurred outsource consulting fees of \$271,287 for the for the three months ended March 31, 2021 versus \$48,000 for the three months ended March 31, 2020. The increase of \$223,287, or 465% primarily relates to the activity picked up in the Worldwide acquisition.

### ***Other Income (Expense)***

#### ***Interest expense***

We incurred interest expense in the amount of \$20,861 for the three months ended March 31, 2021 versus \$26,200 for the three months ended March 31, 2020. .

#### ***Interest income, related party***

In May 2019 we issued a \$150,000 note receivable. For the three months ended March 31, 2020, we recorded \$2,992 in interest income from this note. The note became an intercompany loan upon the acquisition of Worldwide. As such there was no interest income recorded for the three months ended March 31, 2021.

### ***Foreign currency adjustments***

During the three months ended March 31, 2021 and 2020, we had foreign currency gain (losses) in the amount of (\$2,658) and \$436, respectively.

### ***Net Income (Losses)***

The Company had a net loss of \$45,134 for the three months ended March 31, 2021 versus \$196,599 for the three months ended March 31, 2020. The decreased net loss of \$151,465 related to the revenue picked up in the period.

### ***Current Liquidity and Capital Resources for the Three Months Ended March 31, 2021 compared to Three Months Ended March 31, 2020***

	2021	2020
Summary of Cash Flows:		
Net cash (used) by operating activities	\$ (32,417)	\$ (202,105)
Net cash (used) by investing activities	30,201	-
Net cash provided by financing activities	1,082,330	-
Net increase (decrease) in cash and cash equivalents	1,080,114	(202,105)
Beginning cash and cash equivalents	589,724	624,547
Ending cash and cash equivalents	<u>\$ 1,669,838</u>	<u>\$ 422,442</u>

### ***Operating Activities***

Cash used in operations of \$32,417 during the nine months ended March 31, 2021 was primarily a result of our \$45,134 net loss reconciled with our net non-cash expenses relating to depreciation expense and interest income, and changes in operating assets and liabilities related to accounts payable and accrued liabilities. Cash used in operations of \$202,105 during the nine months ended March 31, 2020 was primarily a result of our \$196,599 net income reconciled with our net non-cash expenses relating to depreciation expense and interest income, and changes in operating assets and liabilities related to accounts payable and accrued liabilities.

### ***Future Capital Requirements***

Our current available cash and cash equivalents are insufficient to satisfy our liquidity requirements. Our capital requirements for 2021 will depend on numerous factors, including management's evaluation of the timing of projects to pursue. Subject to our ability to generate revenues and cash flow from operations and our ability to raise additional capital (including through possible joint ventures and/or partnerships), we expect to incur substantial expenditures to carry out our business plan, as well as costs associated with our capital raising efforts and being a public company.

Our plans to finance our operations include seeking equity financing. Other means include debt financing, alliances, other partnership agreements, or other business transactions that would generate sufficient resources to ensure continuation of our operations.

The sale of additional equity or debt securities may result in additional dilution to our shareholders. If we raise additional funds through the issuance of debt securities or preferred stock, these securities could have rights senior to those of our common stock and could contain covenants that would restrict our operations. Any such required additional capital may not be available on reasonable terms, if at all. If we were unable to obtain additional financing, we may be required to reduce the scope of, delay or eliminate some or all of our planned activities and limit our operations which could have a material adverse effect on our business, financial condition and results of operations.

On September 25, 2020, the company launched a Reg D 506(c) Offering of 10,000,000 shares of its common stock at \$0.30 per share for an aggregate offering amount of \$3,000,000. The shares will be offered to accredited investors only pursuant to Regulation D, Rule 506(c) under the Securities Act of 1933, as amended (the "Securities Act"). Although general solicitation is permitted under Rule 506(c) offerings, purchasers must be accredited investors and meet certain SEC verification requirements for validation of their "accredited investor" status. Perpetual intends to use the proceeds from the stock offering principally for general working capital purposes and for funding the operational plan for project development purposes, including but not limited to, general and administrative expenses, intellectual property acquisition costs, legal and accounting expenses, research & development expenses, and marketing expenses.

### ***Seasonality***

Our results and operations are not affected by seasonality.

### ***Inflation***

The amounts presented in our consolidated financial statements do not provide for the effect of inflation on our operations or financial position. The net operating losses shown would be greater than reported if the effects of inflation were reflected either by charging operations with amounts that represent replacement costs or by using other inflation adjustments.

### ***Off-Balance Sheet Arrangements***

We have no significant 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.

### ***Going Concern***

The Company's financial statements are prepared using the generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. At March 31, 2021 and December 31, 2020, the Company had \$1,669,838 and \$589,724 in cash and \$469,279 in negative working capital and \$290,424 in working capital. For the three months ended March 31, 2021 and 2020, the Company had net losses of \$45,134 and \$196,599, respectively. Continued losses may adversely affect the liquidity of the Company in the future. In view of the matters described in the preceding paragraph, recoverability of a major portion of the recorded asset amounts shown in the accompanying balance sheet is dependent upon continued operations of the Company, which in turn is dependent upon the Company's ability to raise additional capital, obtain financing and to succeed in its future operations. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

The Company has operating costs and expenses at the present time for development of its business activities. The Company, however, will be required to raise additional capital over the next twelve months to meet its current administrative expenses, and it may do so in connection with or in anticipation of possible acquisition transactions. This financing may take the form of additional sales of its equity securities loans from its directors and or convertible notes. There is no assurance that additional financing will be available, if required, or on terms favorable to the Company.

### ***Future Financings***

We will continue to rely on equity sales of our common shares in order to continue to fund our business operations. Issuances of additional shares will result in dilution to existing stockholders. There is no assurance that we will achieve any additional sales of the equity securities or arrange for debt or other financing to fund planned acquisitions and exploration activities.

### ***Critical Accounting Policies***

We have identified certain accounting policies, described below, that are most important to the portrayal of our current financial condition and results of operations. Our significant accounting policies are disclosed in the notes to the audited financial statements included in this Quarterly Report.

### ***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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. The estimates and judgments will also affect the reported amounts for certain revenues and expenses during the reporting period. Actual results could differ from these good faith estimates and judgments.

### ***Recently Issued Accounting Pronouncements***

Refer to Note 2 - Significant Accounting Policies in the financial statements that are included in this Report.

### ***Contractual Obligations***

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and are not required to provide the information under this item.

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

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and are not required to provide the information under this item.

### ITEM 4. CONTROLS AND PROCEDURES.

#### Evaluation of Disclosure Controls and Procedures

The Company has established and maintains disclosure controls and procedures (as such term is defined in Rules 13a-15 and 15d-14 under the Exchange Act); such disclosure controls and procedures are designed to ensure that material information relating to the Company and its subsidiaries is made known to the chief executive officer and chief financial officer of the Company by others within the Company or any of its subsidiaries, and such disclosure controls and procedures are reasonably effective to perform the functions for which they were established subject to the limitations of any such control system; the Company's auditors and the Audit Committee of the Board of Directors of the Company have been advised of: (i) any significant deficiencies or material weaknesses in the design or operation of internal controls which could adversely affect the Company's ability to record, process, summarize, and report financial data; and (ii) any fraud, whether or not material, that involves management or other employees who have a role in the Company's internal controls and since June 30, 2020, the date of the most recent evaluation of such disclosure controls and procedures, there have been no significant changes in internal controls or in other factors that could significantly affect internal controls, including any corrective actions with regard to significant deficiencies and material weaknesses. In addition, the Company has devised and maintains a system of internal accounting controls sufficient to provide reasonable assurances regarding the reliability of financial reporting and the presentation of financial statements for external purposes in accordance with GAAP.

Readers should be advised that the Company qualifies as a "venture issuer" under Canadian securities laws, and therefore is not required to certify the design and evaluation of its Disclosure Controls and Procedures or Internal Controls over Financial Reporting in Canada ("DCP & ICFR"). Inherent limitations on the ability of the certifying officers to design and implement on a cost-effective basis DCP and ICFR for the Company may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under applicable securities legislation.

#### Changes in Internal Controls

There have been no changes in our internal controls over financial reporting identified in connection with the evaluation required by paragraph (d) of Securities Exchange Act Rule 13a-15 or Rule 15d-15 that occurred in the quarter ending June 30, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II

### ITEM 5. OTHER INFORMATION

#### *Director's Disclosure:*

Together, the Company's six directors possess a multitude of business experience which significantly supports the company's strategic and innovative business endeavors.

It has been determined that the Company has two board members (Rod Egan and Thomas Ristow) that qualify as "independent" according to the term used in Item 7(d)(3)(iv)(B) of Schedule 14A under the Securities Exchange Act of 1934, as amended, and as defined by Rule 4200(a)(15) of the NASDAQ Marketplace Rules. This was determined on the basis that they have no direct or indirect relationship with the Company, are not related by family, nor have they held an executive officer position within the Company within the last two years.

The Company has four directors (Brent Bedford, Carl Dille, Craig Dansereau, and Marlin Stutzman) that have been determined as "not independent" on the basis that they are active on a daily basis in the business of the Company, or hold executive officer positions currently in the Company, or have held executive officer positions within the last two years.

#### *Director Independence:*

The board of directors exercise independent judgements in a number of ways. Besides Marlin Stutzman and the officers, directors are not involved in the day to day operations or management of the Company and are not compensated, which maintains their independence as directors. If a decision or vote is needed that involves a conflict of interest with one of the directors, it is immediately declared and that director excuses themselves from the vote. If an issue arises in an area that a director does not possess the necessary expertise to make a decision, then that director is required to seek out independent counsel from an advisor or professional that can assist them with

the information, advise, or opinion needed to make a good decision for the Company. This enables the director to make an informed decisions and complete appropriate due-diligence on the matters.

*Reportable Events:*

*Reportable Events:*

Other than with respect to the CTO's which were issued against the Company and not directly against any individual, no officer, director or persons nominated for such positions, significant employee has been involved in the last ten years in any cease trade orders, bankruptcies or penalties or sanctions.

In February 2019 the SEC filed suit, Case 8:19-cv-00448-VMC-CPT, naming Spartan Securities Group, Island Stock Transfer, Carl Dilley, and two other company principles, alleging that they participated in a fraudulent scheme to create shell companies during the time in question. Contrary to what is alleged in the Complaint, neither Spartan Securities, Island Stock transfer (nor any of their employees) were involved in the creation of or operation of any of the named companies listed in the Complaint. Spartan and Island were victims of fraud and not, as the Complaint alleges, themselves perpetrators of any fraud. Both Spartan Securities and Island Stock Transfer have maintained a stellar reputation for service amongst their thousands of clients in the industry, and continue to do so.

**ITEM 6. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.**

See Item 8 for Financial Statements.

All other Exhibits called for by Rule 601 of Regulation SK are not applicable to this filing.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) 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.

<u>Perpetual Industries Inc.</u>	
Registrant	
<u>May 20, 2021</u>	<u>/s/ Brent W. Bedford</u>
Date	Brent W. Bedford, Chairman of the Board, CEO, Principal Executive Officer, Principal Accounting Officer and Principal Financial Officer
<u>May 20, 2021</u>	<u>/s/ Carl Dilley</u>
Date	Carl Dilley, Chief Operations Officer & Director
<u>May 20, 2021</u>	<u>/s/ William Griffin Thomas, III ("Trip")</u>
Date	Trip Thomas, Chief Financial Officer
<u>May 20, 2021</u>	<u>/s/ Craig Dansereau</u>
Date	Craig Dansereau, Director
<u>May 20, 2021</u>	<u>/s/ Rod Egan</u>
Date	Rod Egan, Director
<u>May 20, 2021</u>	<u>/s/ Thomas Ristow</u>
Date	Thomas Ristow, Director
<u>May 20, 2021</u>	<u>/s/ Marlin Stutzman</u>
Date	Marlin Stutzman, Director
<u>Perpetual Industries Inc.</u>	
Registrant	

**Supplemental Information to be Furnished with Reports Filed Pursuant to Section 15(d) of the Act by Registrants  
Which Have Not Registered Securities Pursuant to Section 12 of the Act**