

BOURQUE INDUSTRIES, INC.

QUARTERLY REPORT

Quarter Ended August 31, 2021 and

Fiscal Year Ended

May 31, 2021

TABLE OF CONTENTS

UNAUDITED FINANCIAL STATEMENTS

Unaudited Consolidated Balance Sheet,
As of Quarter end August 31, 2021 and Fiscal Year end May 31, 2021

Unaudited Consolidated Income Statements
As of Quarter end August 31, 2021 and Fiscal year ended May 31, 2021

Unaudited Consolidated Statements of Cash Flows
As of Quarter end August 31, 2021 and Fiscal year ended May 31, 2021

Unaudited Statement of Shareholders' Equity
As of Quarter end August 31, 2021 and Fiscal year ended May 31, 2021

Notes to Unaudited Financial Statements
As of Quarter end August 31, 2021 and Fiscal year ended May 31, 2021

BOURQUE INDUSTRIES, INC.

(A Development Stage Company)

Unaudited Consolidated Balance Sheets Assets

<u>ASSETS</u>	<u>August 31, 2021</u>	<u>May 31, 2021</u>
Current Assets		
Cash	\$ 0	\$ 0
Due from Related Parties	0	0
Prepaid Rent	0	0
Retainers	<u>0</u>	<u>0</u>
Total Current Assets	<u>0</u>	<u>0</u>
Property and Equipment		
Processing Equipment	0	5,629
Office Equipment	0	
Less: Accumulated Depreciation	0	(5,629)
Total Property and Equipment	<u>0</u>	<u>0</u>
Non-Current Assets		
Intangible Assets:		
Patents	6,173,684	6,144,417
Accumulated Amortization	(1,520,243)	(1,329,418)
Total Intangible Assets	<u>4,653,441</u>	<u>4,814,999</u>
Total Non-Current Assets	<u>4,653,441</u>	<u>4,814,999</u>
Total Assets	\$ <u>4,653,441</u>	\$ <u>4,814,999</u>

BOURQUE INDUSTRIES, INC.

(A Development Stage Company)

Unaudited Consolidated Balance Sheets
Liabilities & Stockholders' Equity

<u>LIABILITIES & STOCKHOLDERS' EQUITY</u>	<u>AUGUST 31, 2021</u>	<u>MAY 31, 2021</u>
Current Liabilities		
Accounts Payable & Accrued Liabilities	\$ 806,070	\$ 773,914
Provision for Contingent Liabilities	200,000	200,000
Current Portion of Long-Term Liabilities	579,455	573,812
 Total Current Liabilities	 <u>1,585,525</u>	 <u>1,547,726</u>
 Total Liabilities	 <u>1,585,525</u>	 <u>1,547,726</u>
 Stockholders' Equity		
Common Stock .0001 par value 1,000,000,000		
940,650,190 shares issued and outstanding	1,614,584	1,612,192
Additional Paid-In-Capital	42,240,340	42,238,040
Convertible preferred stock .0001 par value, 100,000,000 authorized and outstanding	10,000	10,000
Treasury Stock	1,185,000	1,185,000
Accumulated Deficit	<u>(41,982,008)</u>	<u>(41,777,959)</u>
 Total Stockholders' Equity	 <u>3,067,916</u>	 <u>3,267,273</u>
 Total Liabilities and Stockholders' Equity	 \$ <u>4,653,441</u>	 \$ <u>4,814,999</u>

BOURQUE INDUSTRIES, INC.
(A Development Stage Company)
Unaudited Consolidated Income Statements

	Quarter Ended <u>August 31, 2021</u>	Fiscal Year Ended <u>May 31, 2021</u>
Revenue		
Sales	\$ 0	\$ 0
Total Revenue	<u>0</u>	<u>0</u>
 Gross Profit	 <u>0</u>	 <u>0</u>
 Operating Expenses		
Legal, Consulting & Professional	0	0
Rents	0	0
Depreciation & Amortization Expense	34,135	136,835
Non-Trade Bad Debt Expense	0	0
General and Administrative	0	0
Compensation Expense	0	0
Total Operating Expenses	<u>34,135</u>	<u>136,835</u>
Net Operating (Loss)	<u>(34,135)</u>	<u>(136,835)</u>
Other Income (Expense)		
Other Income	0	0
Interest Income (Expense)	<u>(5,421)</u>	<u>(21,683)</u>
Total Other Income (Expense)	<u>(5,421)</u>	<u>(21,683)</u>
 Income (Loss) Before Income Taxes	 <u>(39,556)</u>	 <u>(158,518)</u>
Provision (Benefit) for Income Taxes	0	0
Net Income (Loss)	<u>(39,556)</u>	<u>(158,518)</u>

BOURQUE INDUSTRIES, INC.

(A Development Stage Company)

Unaudited Consolidated Statements of Cash Flows

Quarter Ended August 31, 2021 and Fiscal Year Ended
May 31, 2021

Cash Flows from Operating Activities:			
Net Income (Loss)	\$	(39,556)	\$ (158,518)
Adjustments to Reconcile Net Loss to Net Cash			
Provided by Operations:			
Depreciation and amortization		34,135	136,835
Cancellation of Debt Income		0	0
Common Stock issued for services		0	0
Loss on sale of property		0	0
Change in current assets and Liabilities			
(Increase) Decrease in:			
Deposits and prepaids		0	0
Accounts Receivable		0	0
Due from related parties		0	0
Accounts payable and accrued expenses		0	0
Provision for Contingent Liabilities		(200,000)	<u>(200,000)</u>
Net Cash Provided (Used) by Operation Activities		(205,421)	(221,683)
Cash Flows from Investing Activities:			
Purchases of land, equipment and improvements		0	0
Investment in patents		0	0
Sale of building, land and equipment		<u>0</u>	<u>0</u>
Net Cash Used by investing activities		<u>0</u>	<u>0</u>
Cash Flows from Financing Activities:			
Increase or (decrease) in notes payable		0	0
Proceeds from issuance of common stock		<u>0</u>	<u>0</u>
Net Cash Provided (Used) by Financing Activities		<u>0</u>	<u>0</u>
Increase (Decrease) in cash	\$	<u>0</u>	\$ <u>0</u>
Cash & Cash Equivalents – Beginning of period		<u>0</u>	<u>0</u>
Cash & Cash Equivalents – End of Period	\$	<u>0</u>	\$ <u>0</u>

BOURQUE INDUSTRIES, INC.

(A Development Stage Company)

Unaudited Consolidated Statements Statement of Shareholders' Equity

Quarter Ended August 31, 2021 and Fiscal Year Ended
May 31,2021

Stockholders' Equity	<u>August 31, 2021</u>	<u>May 31, 2021</u>
Common Stock .0001 par value 1,000,000,000		
940,650,190 shares issued and outstanding\$	1,614,584	\$ 1,612,192
Additional Paid-In-Capital	42,240,340	42,238,040
Convertible preferred stock .0001 par value, 100,000,000 authorized and outstanding	10,000	10,000
Treasury Stock	1,185,000	1,185,000
Accumulated Deficit	<u>(41,982,008)</u>	<u>(41,777,959)</u>
Total Stockholders' Equity	<u>3,067,916</u>	<u>3,267,273</u>
Total Liabilities and Stockholders' Equity \$	<u>4,653,441</u>	\$ <u>4,814,999</u>

BOURQUE INDUSTRIES, INC.

(A Development Stage Company)

Notes to Unaudited Financial Statements

Fiscal years Ended May 31, 2021

Note 1

Summary of Significant Accounting Policies

Bourque Industries, Inc. (the Company) was incorporated in the State of Nevada, under the predecessor names of Global Platinum + Gold, Inc. and Global Energy, LTD. The Company's name was changed to Bourque Industries, Inc. effective January 31, 2011.

Nature of Operations

The Company is a development stage company, with a focus on advanced materials sciences. The Company invented Kryron, a metal-alloying process that uses nanotechnology to fundamentally alter certain common metals at the molecular level to create ultra-high performing alloys for industrial and commercial applications.

Kryron is a patented material created using carbon nanotubes, which can be combined with common metals -- such as aluminum, copper, and steel to create ultra-high performing super alloys with significantly different characteristics than the base metals. These characteristics make Kryronized alloys a potential solution for a wide range of industrial, commercial, and military applications, which include ballistic body armor for military and law enforcement applications, as well as applications within agricultural, wire, automotive, mining industries, etc. SIC Codes include: 3341, 3399, 3441, 3499, 3795, 3999 and 5085.

The Company is not currently conducting operations, but plans to restart operations after completing the payoff of significant debt, including the IRS. To date, the Company has not had material orders or sales, and has not been able to produce continuing revenue from sales of its Kryron-based products.

On February 13, 2012 the Company received National Institute of Justice (NIJ) certification for its Level III stand-alone Kryron Terminator Armor. The Armor complies with the most recent NIJ Standard-0101.06. NIJ certification is a prerequisite for most US law enforcement agencies when purchasing personal body armor for its frontline officer.

Accounting Method

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

Share-Based Payments

The Company records payments made with the issuance of common stock based on the market price for the goods or services to determine the fair value of the issued common stock. In those situations where, in the opinion of management, the fair value of goods or services could not be

estimated reliably, then such fair value is measured by reference to the fair value of equity instruments granted.

Use of Estimates

The use of estimates and assumptions as determined by management are required in the preparation of these financial statements in conformity with GAAP. The estimates are based on management's evaluation of historical trends and other information available when the financial statements are prepared. Changes in estimates, when they occur, are recognized in accordance with the accounting rules for estimates. Actual results could differ from those estimates.

Revenue Recognition

The Company recognizes revenue only when all of the following criteria have been met:

- Persuasive evidence of an arrangement exists;
- Delivery has occurred;
- The fee for the arrangement is fixed or determinable; and
- Collectability is reasonably assured.

Persuasive Evidence of an Arrangement—The Company documents all terms of an arrangement in a written contract signed by the customer prior to recognizing revenue.

Delivery Has Occurred—The Company delivers all products prior to recognizing revenue. Delivery does not occur until products have been shipped, risk of loss has been transferred to the customer and either customer acceptance has been obtained, client acceptance provisions have lapsed, or the Company has objective evidence that the criteria specified in the customer acceptance provisions have been satisfied.

The Fee for the Arrangement Is Fixed or Determinable—Prior to recognizing revenue, a customer's fee is either fixed or determinable under the terms of the written contract. The sales price is not considered to be fixed or determinable until all contingencies related to the sale have been resolved.

Collectability Is Reasonably Assured—The Company determines that collectability is reasonably assured prior to recognizing revenue. Collectability is assessed on a customer-by-customer basis based on criteria outlined by management. New customers are subject to a credit review process, which evaluates the customer's financial position and ultimately its ability to pay. The Company does not enter into arrangements unless collectability is reasonably assured at the outset. Existing customers are subject to ongoing credit evaluations based on payment history and other factors. If it is determined during the arrangement that collectability is not reasonably assured, revenue is recognized on a cash basis.

The Company expects to derive revenues through the sale of Kryron or, in some cases, the production of body armor and other Kryron based products.

Inventories

Inventories, when maintained by the Company, are stated at the lower of cost or net realizable value using the first-in first-out method of accounting. Net realizable value represents estimated selling prices less direct selling expenses.

Property, Equipment and Depreciation

The cost of property, plant, and equipment is depreciated over the estimated useful lives of the related assets. The cost of leasehold improvements is depreciated (amortized) over the lesser of the length of the related leases or the estimated useful lives of the assets. The estimated useful lives are as follows:

Leasehold improvements	5 years
Equipment	5 years
Furniture and fixtures	7 years
Vehicles	5 years

Patents and Long-Lived Intangible Assets

The cost of patents is amortized over an estimated useful life of 20 years. In addition, The Company evaluates long-lived assets, including intangible assets subject to amortization (such as patents) for impairment whenever events or circumstances indicate there may be a possible permanent loss of value.

Goodwill

Goodwill represents the cost in excess of fair value of net assets acquired in business combinations accounted for by the purchase method. The Company evaluates goodwill on an annual basis as of the last day of its fiscal year or more frequently if management believes indicators of impairment exist. Such indicators could include, but are not limited to (1) a significant adverse change in legal factors or in business climate, (2) unanticipated competition, or (3) an adverse action or assessment by a regulator. The Company first assesses qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount, including goodwill. If management concludes that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, management conducts a two-step quantitative goodwill impairment test. The first step of the impairment test involves comparing the fair value of the applicable reporting unit with its carrying value. The Company estimates the fair values of its reporting units using a combination of the income, or discounted cash flows, approach and the market approach, which utilizes comparable companies' data. If the carrying amount of a reporting unit exceeds the reporting unit's fair value, management performs the second step of the goodwill impairment test. The second step of the goodwill impairment test involves comparing the implied fair value of the affected reporting unit's goodwill with the carrying value of that goodwill. The amount, by which the carrying value of the goodwill exceeds its implied fair value, if any, is recognized as an impairment loss. The Company's evaluation of goodwill completed during the year resulted in no impairment losses.

Income Taxes

The Company currently has no material items that create timing differences that would mandate deferred tax expense. Net operating losses would create possible tax assets in future years, but due to the uncertainty as to the utilization of a net operating loss carry forward; a valuation allowance has not been made to the extent of any tax benefit that net operating losses may generate.

From time to time, the Company may be subject to interest and penalties assessed by various taxing authorities. Interest and penalties are recognized as general and administrative expenses in the accompanying consolidated income statements when incurred. During the quarter ended August 31, 2021 and fiscal years ended May 31, 2021, the Company did not recognize any interest and penalties.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-period financial statements.

Fair Value of Financial Instruments

The recorded amounts of financial instruments, including cash equivalents, accounts receivable, accounts payable, accrued expenses, and long-term debt approximate their market values as of the fiscal years ended May 31, 2021. The Company has no investments in derivative financial instruments.

Note 2

Going Concern

The Company has recurring losses and has a deficit accumulated during the development stage of \$41,982,008 as of quarter ended August 31, 2021 and \$41,777,959 as of May 31, 2021 and no material working capital. This condition raises substantial doubt about the Company's ability to continue as a 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. However, the Company has no significant "current" source of revenue. Without realization of additional capital, it would be unlikely for the Company to continue as a going concern.

The Company's management plans on raising cash from private debt, related party revenue or equity financing on an as needed basis and in the longer term, revenues from the development of business opportunities sales of patented alloy products, and or licensing of technology. The Company's ability to continue as a going concern is dependent on these additional cash financings, and ultimately, upon achieving profitable operations.

Note 3

Related Party Transactions

The Company has entered into transactions, advanced funds and borrowed funds from various related parties and sources. Following are the material related party transactions during the fiscal years ended May 31, 2021.

Terminator Armor, Inc.

Terminator Armor, Inc. has been and may continue to finance the restart of sales for Bourque Industries, Inc. through the sale of PPE equipment. Bourque Industries debt has been reduced through the revenue of Terminator Armor, Inc. sales.

Note 4

Patents

Fiscal year ended May 31, 2012 the company acquired intangible assets of \$4,115,000. Of that amount, \$3,695,000 was assigned to patents.

The Company capitalizes patent costs for new patents, both domestic and international.

An additional patent dated February 19, 2013 titled Ballistic Strike Plate and Assembly was added to these financial exhibits in the amount of \$1,185,000. The Company also received approval for an additional patent titled Ballistic Strike Plate in 2021 in the amount of \$1,125,000, which has been added to the 2021 financials.

The acquired patents have an estimated useful life of 20 years.

Note 5

Provision for Contingent Liabilities

Management has determined it appropriate to record a reserve for contingent liabilities, based on a review of prior matters. As of April 15, 2013 the Company elected to record a reserve for contingent liabilities in the financial statements as of years ended May 31, 2014 and 2013 respectively of \$1,000,000, to account for the Company's potential liability for various unknown or unsubstantiated claims which may or may not be filed against the Company, and if filed, in which the Company might not prevail. As of May 31, 2020 the Company reduced their contingent liability to \$200,000. A careful review of past prior matters, as well as any possible or probably contingent liabilities for the future prompted the reduction.

Note 6

Notes Payable

The Company has notes payable as follows:

	August 31, 2021
Note Payable to Bellavita Partners LLC, Interest at 9% Due 1 year from December 5, 2013	\$ 50,000
Note Payable to Bellavita Partners LLC, Interest at 9% due 1 year from April 9, 2014	25,000
Note payable to G&G Holdings, LLC, non-interest bearing, Due June, 2012	100,295
Note payable to Tom Leyden, Interest at 9.0%, due April 26, 2017.	50,000
Note payable to Deborah Santigati, interest at 10% Due July 27, 2016	50,000
Various notes payable with interest at rates ranging From 9% to 15% due in one year or less.	<u>47,747</u>
Subtotal	\$ <u>323,042</u>
Less Current Portion	\$ <u>323,042</u>
Total non-current notes payable	\$ <u>0</u>

Interest expense has been recorded in the financial exhibits.

Note 7

Royalty Notes Payable Written Off.

Note 8

Concentration of Credit Risk

The Company has concentrated its credit risk for cash by maintaining deposits in one bank. The excess deposits reported by the bank over the amounts that would be covered by federal insurance (FDIC) are at risk.

Financial instruments that potentially subject the Company to credit risk consist primarily of trade accounts receivable and related party notes receivable.

Note 9

Extraordinary Income and Expenses

Provision for Contingent Expenses of \$465,000

The Company has embarked on a financial review of past activities. As of the filing of these financial statements the review process is ongoing, but substantially complete.

Management has determined it appropriate to record a reserve for contingent liabilities, based on the initial review to date. Therefore, as of April 15, 2013 the Company elected to record a reserve for contingent liabilities in the financial statements as of May 31, 2013 of \$1,000,000, to account for the Company's potential liability for various unknown or unsubstantiated claims which may or may not be filed against the Company, and if filed, in which the Company might not prevail. As of May 31, 2015 the Company reduced the contingent liability to \$500,000 and finally to \$465,000.

After an extensive review of expenses from 2011 through 2014, a substantial cleanup of expenses was completed. Through further review debt was cancelled. This Debt is no longer considered relevant due to the nature of its existence, as well as reduction of the Contingent Liability from \$1 million to \$200,000. Management will continue to review this Provision.

Note 10

Facilities

The Company is in cooperation with Native Resource Group, Inc for shared space. Due to the cooperation, no rent is due or required at this time.

Note 11

Illegal Acts

The Company is aware of the following illegal acts as of the date of the issuance of these financial statements.

Corporate Income Tax Returns

The Company, and its subsidiaries, are current with their federal and state filing requirements for federal and state income tax returns through year 2015 at which time operations were suspended. Due to significant net operating losses, which are carried forward from year-to-year under federal and state tax law, the Company does not anticipate any material financial liability.

Payroll Trust Fund Taxes

As of the date of these financial statements the Company had withheld various income and payroll taxes from employee pay, which was not paid over to the federal or state government as required. The estimated balance of these trust fund taxes due, including penalties and interest, as of the date of these financial statements related to trust fund taxes was \$30,744.52, which was paid July, 2020.

The IRS cleared all liability as of 9/2021. This is considered closed and will allow the Company to resume operations.

Note 12

Litigation Contingencies

As of the issuance of these financial statements there are no material lawsuits. There is a related party transaction pending in which Bourque Industries was named. The Company and its legal counsel do not believe there is any material financial impact due to this case and, therefore, have not recorded any liability for this matter.

In the normal course of its business activities the Company is periodically threatened with legal action. Other than the case referenced above, the Company is not aware of any other filed legal action.