

**PERPETUAL INDUSTRIES INC.**

**CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**FOR THE THREE MONTHS ENDED  
MARCH 31, 2022**

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ITEM 1. UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

PERPETUAL INDUSTRIES, INC. AND SUBSIDIARY  
CONSOLIDATED BALANCE SHEETS

|                                                                                                                                                                       | March 31,<br>2022<br>(Unaudited) | December 31,<br>2021 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------|----------------------|
| <b>ASSETS</b>                                                                                                                                                         |                                  |                      |
| <b>Current assets</b>                                                                                                                                                 |                                  |                      |
| Cash                                                                                                                                                                  | \$ 496,383                       | \$ 1,048,547         |
| Accounts receivable                                                                                                                                                   | 70,824                           | 96,020               |
| Inventory                                                                                                                                                             | 14,160                           | 13,660               |
| Deposits and prepaids                                                                                                                                                 | 81,465                           | 56,202               |
| <b>Total current assets</b>                                                                                                                                           | <b>662,832</b>                   | <b>1,214,429</b>     |
| Fixed assets, net of accumulated depreciation                                                                                                                         | 888,180                          | 645,850              |
| Intangible assets - net                                                                                                                                               | 5,233,972                        | 901,905              |
| Indefinite life asset                                                                                                                                                 | 92,310                           | 59,715               |
| Right of use asset                                                                                                                                                    | 830,590                          | 880,019              |
| Goodwill                                                                                                                                                              | 3,243,049                        | 7,813,049            |
| <b>Total assets</b>                                                                                                                                                   | <b>\$ 10,950,933</b>             | <b>\$ 11,514,967</b> |
| <b>LIABILITIES</b>                                                                                                                                                    |                                  |                      |
| <b>Current liabilities:</b>                                                                                                                                           |                                  |                      |
| Accounts payable and accrued expenses                                                                                                                                 | \$ 644,769                       | \$ 864,913           |
| Accounts payable and accrued expenses - related party                                                                                                                 | 265,397                          | 256,041              |
| Notes payable - related party                                                                                                                                         | 700,000                          | 700,000              |
| Lease liability                                                                                                                                                       | 205,205                          | 202,153              |
| Economic Injury Disaster Loan Program (EIDL) loan, current maturities                                                                                                 | 3,036                            | 3,036                |
| <b>Total current liabilities</b>                                                                                                                                      | <b>1,818,407</b>                 | <b>2,026,143</b>     |
| Lease liability, long term                                                                                                                                            | 625,440                          | 677,906              |
| Payroll protection program loan                                                                                                                                       | 124,772                          | 124,772              |
| Economic Injury Disaster Loan Program (EIDL) loan, long-term                                                                                                          | 147,433                          | 145,964              |
| <b>Total liabilities</b>                                                                                                                                              | <b>2,716,052</b>                 | <b>2,974,785</b>     |
| Commitments and contingencies (Note 19)                                                                                                                               |                                  |                      |
| <b>STOCKHOLDERS' EQUITY</b>                                                                                                                                           |                                  |                      |
| Preferred stock, \$0.0001 par value, 100,000,000 shares authorized;                                                                                                   |                                  |                      |
| Series A: 160 shares authorized; 2 and 0 shares issued and outstanding at March 31, 2022 and December 31, 2021, respectively                                          | -                                | -                    |
| Series B: 2,000,000 shares authorized; 2,000,000 shares issued and outstanding at March 31, 2022 and December 31, 2021                                                | 200                              | 200                  |
| Common stock, \$0.001 par value; 500,000,000 shares authorized; 81,307,800 and 78,137,800 issued and outstanding at March 31, 2022 and December 31, 2021 respectively | 81,307                           | 78,138               |
| Common stock to be issued                                                                                                                                             | 215,070                          | 217,070              |
| Unearned compensation                                                                                                                                                 | (578,219)                        | -                    |
| Additional paid in capital                                                                                                                                            | 21,446,155                       | 20,437,326           |
| Other accumulated comprehensive loss                                                                                                                                  | (10,755)                         | (10,078)             |
| Accumulated deficit                                                                                                                                                   | (12,918,877)                     | (12,182,474)         |
| <b>Total stockholders' equity</b>                                                                                                                                     | <b>\$ 8,234,881</b>              | <b>\$ 8,540,182</b>  |
| <b>Total liabilities and stockholders' equity</b>                                                                                                                     | <b>\$ 10,950,933</b>             | <b>\$ 11,514,967</b> |

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

**PERPETUAL INDUSTRIES, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**  
**(UNAUDITED)**

|                                                              | For the Three Months Ended |                   |
|--------------------------------------------------------------|----------------------------|-------------------|
|                                                              | March 31,<br>2022          | March 31,<br>2021 |
| <b>Revenues</b>                                              |                            |                   |
| Service revenues                                             | \$ 1,485,395               | \$ 722,130        |
| Product sales                                                | 3,500                      | -                 |
| Cryptocurrency mining revenue                                | 46,580                     | 10,284            |
| Total revenues                                               | 1,535,475                  | 732,414           |
| Cost of sales                                                | 765,737                    | 201,408           |
| Gross profit                                                 | 769,738                    | 531,006           |
| <b>Operating expenses</b>                                    |                            |                   |
| General and administrative expenses                          | 660,776                    | 155,737           |
| Depreciation and amortization                                | 541,219                    | 7,239             |
| Outsource consulting fees                                    | 126,626                    | 271,287           |
| General and administrative expenses, related party           | 97,885                     | 29,297            |
| Management service, related party                            | 46,889                     | 51,263            |
| Research and development                                     | 1,311                      | 12,635            |
| Stock-based compensation                                     | -                          | 25,472            |
| <b>Total operating expenses</b>                              | 1,474,706                  | 552,930           |
| Net operating loss                                           | (704,968)                  | (21,924)          |
| <b>Other income (expense)</b>                                |                            |                   |
| Interest expense                                             | (19,289)                   | (20,861)          |
| Other income                                                 | 1,878                      | 309               |
| Loss on impairment of digital currencies                     | (13,986)                   | -                 |
| Foreign currency transaction adjustments                     | (38)                       | (2,658)           |
| <b>Total other income (expense)</b>                          | (31,435)                   | (23,210)          |
| Net loss                                                     | (736,403)                  | (45,134)          |
| Unrealized translation gain                                  | (677)                      | 1,746             |
| Other comprehensive loss                                     | \$ (737,080)               | \$ (43,388)       |
| Basic and loss per share                                     | \$ (0.01)                  | \$ (0.00)         |
| Basis and diluted weighted average common shares outstanding | 78,222,744                 | 70,916,568        |

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

**PERPETUAL INDUSTRIES INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY**  
**(UNAUDITED)**

|                                                                                          | <u>Preferred Stock</u> |               | <u>Common Stock</u> |                  | <u>Additional Paid-In Capital</u> | <u>Common Stock to be Issued</u> | <u>Unearned Compensation</u> | <u>Accumulated Other Comprehensive Loss</u> | <u>Accumulated Deficit</u> |                     |
|------------------------------------------------------------------------------------------|------------------------|---------------|---------------------|------------------|-----------------------------------|----------------------------------|------------------------------|---------------------------------------------|----------------------------|---------------------|
|                                                                                          | <u>Shares</u>          | <u>Amount</u> | <u>Shares</u>       | <u>Amount</u>    |                                   |                                  |                              |                                             |                            |                     |
| <b>Balances, December 31, 2021</b>                                                       | 2,000,000              | \$ 200        | 78,137,800          | \$ 78,136        | \$ 20,437,326                     | \$ 217,070                       | \$ -                         | \$ (10,078)                                 | \$ (12,182,474)            | \$ 8,540,180        |
| Issuance of common stock for satisfaction of accounts payable, committed in prior period | -                      | -             | 20,000              | 20               | 4,980                             | (5,000)                          | -                            | -                                           | -                          | -                   |
| Issuance of common stock for satisfaction of accounts payable                            | -                      | -             | -                   | -                | -                                 | 3,000                            | -                            | -                                           | -                          | 3,000               |
| Issuance of stock for services                                                           | -                      | -             | 3,150,000           | 3,151            | 626,849                           | -                                | (630,000)                    | -                                           | -                          | -                   |
| Sale of Series A Preferred Stock                                                         | 2                      | -             | -                   | -                | 100,000                           | -                                | -                            | -                                           | -                          | 100,000             |
| Amortization of unearned compensation                                                    | -                      | -             | -                   | -                | -                                 | -                                | 51,781                       | -                                           | -                          | 51,781              |
| Issuance of Series B Preferred Stock for acquisition of Worldwide Group (true up)        | -                      | -             | -                   | -                | 277,000                           | -                                | -                            | -                                           | -                          | 277,000             |
| Net income for the three months ended March 31, 2022                                     | -                      | -             | -                   | -                | -                                 | -                                | -                            | (677)                                       | (736,403)                  | (737,080)           |
| <b>Balances, March 31, 2022</b>                                                          | <u>2,000,002</u>       | <u>\$ 200</u> | <u>81,307,800</u>   | <u>\$ 81,307</u> | <u>\$ 21,446,155</u>              | <u>\$ 215,070</u>                | <u>(578,219)</u>             | <u>\$ (10,755)</u>                          | <u>\$ (12,918,877)</u>     | <u>\$ 8,234,881</u> |

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

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

|                                                                                              | Preferred Stock  |                 | Common Stock      |                  | Additional Paid-In<br>Capital | Common Stock<br>to be Issued | Accumulated Other<br>Comprehensive<br>Loss | Accumulated<br>Deficit | Total<br>Stockholders'<br>Equity (Deficit) |
|----------------------------------------------------------------------------------------------|------------------|-----------------|-------------------|------------------|-------------------------------|------------------------------|--------------------------------------------|------------------------|--------------------------------------------|
|                                                                                              | Shares           | Amount          | Shares            | Amount           |                               |                              |                                            |                        |                                            |
| <b>Balances,<br/>December<br/>31, 2020</b>                                                   | -                | \$ -            | 69,983,500        | \$ 69,983        | \$ 12,020,118                 | \$ 508,000                   | \$ (11,131)                                | \$ (12,055,459)        | \$ 531,511                                 |
| Issuance of<br>Series B<br>Preferred<br>Stock for<br>acquisition<br>of<br>Worldwide<br>Group | 2,000,000        | 2,000           | -                 | -                | 198,000                       | -                            | -                                          | -                      | 200,000                                    |
| Issuance of<br>common<br>stock for<br>cash                                                   | -                | -               | 2,040,000         | 2,040            | 609,960                       | -                            | -                                          | -                      | 612,000                                    |
| Issuance of<br>common<br>stock for<br>cash                                                   | -                | -               | -                 | -                | -                             | 352,000                      | -                                          | -                      | 352,000                                    |
| Issuance of<br>common<br>stock for<br>acquisition<br>of<br>AutoGrafic<br>software            | -                | -               | -                 | -                | -                             | 510,000                      | -                                          | -                      | 510,000                                    |
| Net loss for<br>the three<br>months<br>ended<br>March 31,<br>2021                            | -                | -               | -                 | -                | -                             | -                            | 1,746                                      | (45,134)               | (43,388)                                   |
| <b>Balances,<br/>March 31,<br/>2021</b>                                                      | <u>2,000,000</u> | <u>\$ 2,000</u> | <u>72,023,500</u> | <u>\$ 72,023</u> | <u>\$ 12,828,078</u>          | <u>\$ 1,370,000</u>          | <u>\$ (9,385)</u>                          | <u>\$ (12,100,593)</u> | <u>\$ 2,162,123</u>                        |

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

|                                                                             | March 31,<br>2022 | March 31,<br>2021 |
|-----------------------------------------------------------------------------|-------------------|-------------------|
| <b>Cash Flows from Operating Activities</b>                                 |                   |                   |
| Net loss                                                                    | \$ (736,403)      | \$ (45,134)       |
| Adjustments to reconcile net loss to net cash used by operating activities: |                   |                   |
| Depreciation and amortization expense                                       | 541,219           | 7,239             |
| Stock issued for services                                                   | 3,000             | -                 |
| Amortization of unearned compensation                                       | 51,781            | -                 |
| Revenue from digital currencies                                             | (46,580)          | -                 |
| Interest income, related party                                              | -                 | -                 |
| Loss on impairment of digital currencies                                    | 13,986            | -                 |
| Changes in operating assets & liabilities                                   |                   |                   |
| Right of use activity                                                       | 13                | -                 |
| Accounts receivable                                                         | 25,196            | -                 |
| Inventory                                                                   | (500)             | -                 |
| Prepaid expenses                                                            | (25,263)          | 30,403            |
| Accounts payable                                                            | (220,146)         | 296               |
| Accounts payable, related party                                             | 9,356             | (17,771)          |
| Deferred revenue                                                            | -                 | (7,450)           |
| Net cash provided (used) by operating activities                            | (384,341)         | (32,417)          |
| <b>Cash Flows from Investing Activities</b>                                 |                   |                   |
| Acquisition of fixed assets                                                 | (268,615)         | -                 |
| Cash acquired in business acquisition                                       | -                 | 30,201            |
| Net cash used by investing activities                                       | (268,615)         | 30,201            |
| <b>Cash Flows from Financing Activities</b>                                 |                   |                   |
| Proceeds from the issuance of common stock                                  | -                 | 964,000           |
| Proceeds from the issuance of Series A Preferred Stock                      | 100,000           | -                 |
| Proceeds from payroll protection program loan                               | -                 | 124,772           |
| Payments on EIDL loan                                                       | -                 | (6,442)           |
| Payments on notes payable                                                   | 1,469             | -                 |
| Net cash provided by financing activities                                   | 101,469           | 1,082,330         |
| FX translation                                                              | (677)             | -                 |
| (Decrease) Increase in Cash                                                 | (552,164)         | 1,080,114         |
| Cash at beginning of period                                                 | 1,048,547         | 589,724           |
| Cash at end of period                                                       | \$ 496,383        | \$ 1,669,838      |
| <b>Supplemental Cash Flow Information</b>                                   |                   |                   |
| Cash paid for interest                                                      | \$ -              | \$ 20,897         |
| Cash paid for income taxes                                                  | \$ -              | \$ -              |
| Issue of common stock to satisfy accounts payable                           | \$ 8,000          | \$ -              |
| Acquisition of AutoGrafic Software for \$10,000 in common stock             | \$ -              | \$ 710,000        |

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

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

**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 emerging growth company with a diverse R&D portfolio, income-generating divisions and a wholly-owned subsidiary. The Company is an incubator of disruptive, energy-efficient technologies and commercialization of niche products. The Company’s divisions all work together to support innovation in a wide range of industries on a global scale including; renewable energy, custom software solutions, white goods, artificial intelligence, blockchain, cryptocurrency mining, graphic rendering, cloud computing and internet of things (“IoT”).

As a result of two strategic acquisitions in the first quarter of 2021 (Worldwide Auctioneers and AutoGrafic Software System), the Company has created a new software division focused on the growing collector car community. The Company is developing a unique offering in the world of collector cars by bringing Worldwide Auctioneers and the AutoGrafic Software System together in a synergistic platform designed to provide auto collectors, enthusiasts, restorers and lovers with a more interactive and connected experience.

The Company is currently focused on rapidly growing the blockchain division with a large-scale expansion of cryptocurrency mining operations. Plans include major upgrades to our data center facility, acquisition of cryptocurrency mining processors, computer processing equipment, data storage, software, and additions to electrical infrastructure. This operational shift is expected to direct the Company’s resources significantly into optimizing a high-performance digital asset mining center that aims to maximize the company’s return on assets and capitalize on the fast-growing blockchain ecosystem.

**2. Summary of significant accounting policies**

Basis of Presentation

The Company 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 and are presented in US dollars. The Company’s financial reporting 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.

Digital Currencies

Digital currencies are included in non-current assets in the consolidated balance sheets under indefinite life assets. Digital currencies are recorded at cost, less impairment.

An intangible asset with an indefinite useful life is not amortized but assessed for impairment annually, or more frequently, when events or changes in circumstances occur indicating that it is more likely than not that the indefinite-lived asset is impaired. Impairment exists when the carrying amount exceeds its fair value. In testing for impairment, the Company has the option to first perform a qualitative assessment to determine whether it is more likely than not that an impairment exists. If it is determined that it is not more likely than not that an impairment exists, a quantitative impairment test is not necessary. If the Company concludes otherwise, it is required to perform a quantitative impairment test. To the extent an impairment loss is recognized, the loss establishes the new cost basis of the asset. Subsequent reversal of impairment losses is not permitted. For the three months ended March 31, 2022 and 2021, the Company recorded a loss on impairment of digital currencies in the amount of \$13,986 and \$0, respectively.

## 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.

### *Service revenues*

The Company generates the majority of its service revenue from earning auction and ancillary fees from both buyers and sellers, in each case only upon a successful auction. The auction revenue consists principally of revenue earned from facilitating auctions and arranging for the transportation of vehicles purchased in such auctions.

### *Product sales*

Revenue from product sales are recognized upon delivery of the unit and completion / signing of the associated contract, and are recording the amount of revenue identified in the contract as the sales price of the vehicle.

### *Cryptocurrency mining revenues*

Providing computing power in crypto asset transaction verification services is an output of the Company’s ordinary activities. The provision of computing power is the only performance obligation in the Company’s contracts with third party pool operators. The transaction consideration the Company receives, if any, is noncash consideration, which the Company measures at fair value on the date received, which is not materially different than the fair value at contract inception. The consideration is all variable. Because it is not probable that a significant reversal of cumulative revenue will not occur, the consideration is constrained until the Company successfully places a block (by being the first to solve an algorithm) and the Company receives confirmation of the consideration it will receive, at which time revenue is recognized. There is no significant financing component in these transactions.

Fair value of the digital asset award received is determined using the average U.S. dollar spot rate of the related digital currency at the time of receipt.

## 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 (using specific identification) or net realizable 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

Property and equipment are initially recorded at cost and stated at cost less accumulated depreciation, 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.

## Intangible Assets

Certain intangible assets arose from the acquisition of Worldwide on January 22, 2021 and consist of the following, which have been or are being amortized on a straight-line basis over the following estimated useful lives:

| Asset                  | Estimated Useful Life |
|------------------------|-----------------------|
| Customer Relationships | 14                    |
| Trademarks             | 15                    |
| Customer List          | 1                     |
| Below Market Lease     | 4                     |

## 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

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. During the three months ended March 31, 2022 and 2021, the Company recorded \$0 and \$25,472 in stock-based compensation expense, respectively.

## Comprehensive Income (loss)

ASC Topic 220 “*Comprehensive Income*” (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 loss totaling \$676 for the three months ended March 31, 2022 and a comprehensive gain of \$1,746 for the three months ended March 31, 2021, 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.

## Long Lived Assets

Long-lived assets and certain identifiable intangible assets related to those assets are periodically reviewed for impairment whenever circumstances and situations change such that there is an indication that the carrying amounts may not be recoverable. If the non-discounted future cash flows of the enterprise are less than their carrying amount, their carrying amounts are reduced to fair value and an impairment loss is recognized.

## Fair Value of Financial Instruments

The Company has adopted the provisions of ASC Topic 820, “*Fair Value Measurements*”, which defines fair value, establishes a framework for measuring fair value in GAAP, and expands disclosures about fair value measurements. ASC 820 does not require any new fair value measurements, but it does provide guidance on how to measure fair value by providing a fair value hierarchy used to classify the source of the information. The fair value hierarchy distinguishes between assumptions based on market data (observable inputs) and an entity’s own assumptions (unobservable inputs).

The hierarchy consists of three levels:

- 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. The Company had a foreign currency translation loss totaling \$677 and a gain of \$1,746 for the three months ended March 31, 2022 and 2021, respectively.

## 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 through 2020 that have all resulted 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.

## 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.

For the three months ended March 31, 2022 and 2021 the following common stock equivalents were excluded from the computation of diluted net loss per share as the result of the computation was anti-dilutive:

|                          | Three Months Ended |            |
|--------------------------|--------------------|------------|
|                          | March 31,          |            |
|                          | 2022               | 2021       |
|                          | (Shares)           | (Shares)   |
| Series A Preferred Stock | 2                  | -          |
| Series B Preferred Stock | 2,000,000          | 2,000,000  |
| Stock options            | 2,240,000          | 10,488,525 |
| Warrants                 | 21,000,000         | 21,000,000 |
| Total                    | 25,240,002         | 33,488,525 |

## Segments

The Company determined its reporting units in accordance with ASC 280, “*Segment Reporting*” Management evaluates a reporting unit by first identifying its’ operating segments under ASC 280. The Company then evaluates each operating segment to determine if it includes one or more components that constitute a business. If there are components within an operating segment that meet the definition of a business, the Company evaluates those components to determine if they must be aggregated into one or more reporting units. If applicable, when determining if it is appropriate to aggregate different operating segments, the Company determines if the segments are economically similar and, if so, the operating segments are aggregated.

Management has determined that the Company has two consolidated operating segments and a non operating segment. The Company’s reporting segment reflects the manner in which its chief operating decision maker reviews results and allocates resources. The Company’s reporting segment meets the definition of an operating segment and does not include the aggregation of multiple operating segments.

The Company’s reporting segments are automotive and cryptocurrency mining. Perpetual is included in cryptocurrency mining while Worldwide is included in the automotive segment.

## 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 possible that it will be forced to cease operations.

#### Recent Accounting Pronouncements

On June 16, 2016, the FASB completed its Financial Instruments—Credit Losses project by issuing Accounting Standards Update No. 2016-13, *Financial Instruments—Credit Losses* (Topic 326). The new guidance requires organizations to measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts.

The new guidance; (i) eliminates the probable initial recognition threshold in current GAAP and, instead, reflects an organization’s current estimate of all expected credit losses over the contractual term of its financial assets, (ii) broadens the information that an entity can consider when measuring credit losses to include forward-looking information, (iii) increases usefulness of the financial statements by requiring timely inclusion of forecasted information in forming expectations of credit losses, (iv) increases comparability of purchased financial assets with credit deterioration (PCD assets) with other purchased assets that do not have credit deterioration as well as originated assets because credit losses that are expected will be recorded through an allowance for credit losses for all assets, (v) increases users’ understanding of underwriting standards and credit quality trends by requiring additional information about credit quality indicators by year of origination (vintage), and (vi) aligns the income statement recognition of credit losses, for available-for-sale debt securities, with the reporting period in which changes occur by recording credit losses (and subsequent changes in credit losses) through an allowance rather than a write down.

The new guidance affects organizations that hold financial assets and net investments in leases that are not accounted for at fair value with changes in fair value reported in net income. It affects loans, debt securities, trade receivables, net investments in leases, off-balance-sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash.

For public business entities that meet the definition of a U.S. Securities and Exchange (SEC) filer, excluding entities eligible to be smaller reporting companies as defined by the SEC, for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. For all other entities, it is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Early application is permitted. The Company will adopt beginning January 1, 2023.

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 reclassified 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. As of March 31, 2022 and December 31, 2021, the Company had \$38,400 and \$391,285 in excess of FDIC insurance, respectively.

### 4. Accounts receivable and allowance for doubtful account

The Company has a policy of providing an allowance for doubtful accounts based on its best estimate of the amount of probable credit losses in its existing accounts receivable. The Company periodically reviews its accounts receivable to determine whether an allowance is necessary based on an analysis of past due accounts and other factors that may indicate that the realization of an account may be in doubt. The Company's allowance policy is to provide for 10% of the accounts receivable balance at the period end or the accumulation of specific uncollectible receivables, whichever is higher. Account balances deemed to be uncollectible are charged to bad debt expense and included in the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The current accounts receivable balance at March 31, 2022 and December 31, 2021 was \$70,824 and \$96,020, respectively, and the Company expects to receive the full amount. As such, the Company has elected to not record an allowance for this amount.

### 5. Fixed Assets

Fixed assets consisted of the following at March 31, 2022 and December 31, 2021:

|                                | <b>March 31,<br/>2022</b> | <b>December 31,<br/>2021</b> |
|--------------------------------|---------------------------|------------------------------|
| Computer hardware              | \$ 64,430                 | \$ 61,455                    |
| Mining equipment               | 393,024                   | 371,740                      |
| Machinery & equipment          | 146,653                   | 106,075                      |
| Furniture and fixtures         | 66,478                    | 60,272                       |
| Trailer                        | 23,244                    | 23,244                       |
| Computers and peripherals      | 32,275                    | 32,275                       |
| Leasehold improvements         | 304,134                   | 107,127                      |
|                                | <u>1,030,238</u>          | <u>762,188</u>               |
| Less: Accumulated depreciation | (142,058)                 | (116,338)                    |
| Property and equipment - net   | <u>\$ 888,180</u>         | <u>\$ 645,850</u>            |

Depreciation expense was \$25,035 and \$7,239 for the three months ended March 31, 2022 and 2021, respectively.

### 6. Intangible Assets

|                                | <b>March 31,<br/>2022</b> | <b>December 31,<br/>2021</b> |
|--------------------------------|---------------------------|------------------------------|
| AutoGrafic software system     | \$ 1,016,172              | \$ 901,905                   |
| Customer relationships         | 3,105,000                 | -                            |
| Trademarks                     | 1,380,000                 | -                            |
| Customer list                  | 52,000                    | -                            |
| Below market lease             | 310,000                   | -                            |
| Less: accumulated amortization | (629,200)                 | -                            |
| Intangible assets - net        | <u>\$ 5,233,972</u>       | <u>\$ 901,905</u>            |

The Company acquired the AutoGrafic Software System on March 31, 2021 for \$710,000 (See Note 9). Additionally, since acquisition, the Company incurred an additional \$306,172 in software development fees related to the application development stage of the software. The Company will begin amortizing the asset once it reaches the stage of intended-use.

The Company recently finalized the purchase accounting for the Worldwide Acquisition as described further in Note 10. As a result, the intangible assets (i.e. customer relationships, trademarks, customer list and below market lease) arose from the acquisition. The Company is amortizing these intangible over their respective remaining useful lives. The Company is recording amortization expense in the amount of \$516,183 for the three months ended March 31, 2022. Of the \$516,183 in amortization expense, \$416,567 relates to the period from acquisition to December 31, 2021 and is being treated as a change in accounting estimate. The remaining \$99,916 is the expense related to the three months ended March 31, 2022.

## 7. Indefinite Life Asset - Digital Currencies

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. Digital currencies are included in non-current assets in the consolidated balance sheets under indefinite life assets. Digital currencies are recorded at cost less impairment. The carrying value of the digital currencies as of March 31, 2022 and December 31, 2021 is \$106,295 and \$59,715, respectively. For the three months ended March 31, 2022 and 2021, the Company recorded a loss on impairment of digital currencies in the amount of \$13,986 and \$0, respectively.

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

The Company leases 22,000 square feet of office space located at 2193 Rotunda Drive, Auburn IN 46706. The Company has a base rent of \$12,000 per month for a period of 60 months. The lease commencement date was July 1, 2021.

Our wholly-owned subsidiary Worldwide leases 34,000 square feet of office space located at 5634 Opportunity Boulevard, Suites A&E, Auburn, Indiana 46706. Worldwide has a base rent of \$8,500 per month for a period of 48 months. The lease commencement date was March 31, 2021.

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, 2022, the Company recorded \$61,521 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, 2022    | December 31, 2021 |
|-------------------------------|-------------------|-------------------|
| Office Lease                  | \$ 994,315        | \$ 994,315        |
| Less accumulated amortization | (163,725)         | (114,296)         |
| Right-of-use, net             | <u>\$ 830,590</u> | <u>\$ 880,019</u> |

Operating lease liabilities are summarized below:

|                       | March 31, 2022    | December 31, 2021 |
|-----------------------|-------------------|-------------------|
| Office Lease          | \$ 830,645        | \$ 880,059        |
| Less: current portion | (205,205)         | (202,153)         |
| Long term portion     | <u>\$ 625,440</u> | <u>\$ 677,906</u> |

## 9. Asset Acquisition

On March 31, 2021 (“Effective Date”), the Company entered into an asset purchase 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 was \$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.

## 10. 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 \$6,277,000 as consideration.

The Company completed its accounting for the acquisition on January 22, 2022. The purchase price allocation is as follows:

| <b>Consideration</b>                                                                            |                       |
|-------------------------------------------------------------------------------------------------|-----------------------|
| 2,000,000 shares of Series B Preferred Stock                                                    | \$ 6,277,000          |
| Total consideration                                                                             | <u>\$ 6,277,000</u>   |
| <b>Fair values of identifiable net assets and liabilities:</b>                                  |                       |
| <i>Assets</i>                                                                                   |                       |
| Cash                                                                                            | \$ 31,583             |
| Accounts receivable                                                                             | 99,949                |
| Deposits and prepaids                                                                           | 32,514                |
| Inventory                                                                                       | 10,310                |
| Other receivables                                                                               | 16,765                |
| Fixed assets                                                                                    | 142,092               |
| Total assets                                                                                    | <u>333,213</u>        |
| <i>Liabilities:</i>                                                                             |                       |
| Accounts payable                                                                                | 51,946                |
| Credit cards, related party                                                                     | 48,835                |
| Accrued liabilities, related party                                                              | 249,620               |
| Deferred revenue                                                                                | 10,950                |
| Loans payable                                                                                   | 1,784,911             |
| Total liabilities                                                                               | <u>2,146,262</u>      |
| <b>Total fair value of identifiable net assets and liabilities</b>                              | <u>\$ (1,813,049)</u> |
| <b>Excess (consideration given minus fair value of identifiable net assets and liabilities)</b> | <u>\$ 8,090,049</u>   |

**Intangible assets:**

|                         |                     |
|-------------------------|---------------------|
| Customer relationships  | \$ 3,105,000        |
| Trademarks              | 1,380,000           |
| Customer list           | 52,000              |
| Below market lease      | 310,000             |
| Total intangible assets | <u>\$ 4,847,000</u> |

|                                                                     |                            |
|---------------------------------------------------------------------|----------------------------|
| <b>Goodwill (excess minus values assigned to intangible assets)</b> | <b><u>\$ 3,243,049</u></b> |
|---------------------------------------------------------------------|----------------------------|

The goodwill calculated was \$3,243,049. The intangible assets arising from the acquisition are being amortized over their respective remaining useful lives.

**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 \$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 interest rate is 1% per annum.

The loan is repayable in equal monthly installments of principal and interest fully amortizing basis over the period commencing on the termination of any deferral authorized by the Program (the "Deferral Termination Date") and terminating on the Maturity Date (the "Amortization Period"), with the first payment due on the 11th day of the month following the Deferral Termination Date, provided that in the event the balance of the Loan (including any principal, accrued but unpaid interest and any unpaid costs and expenses permitted to be added to the balance due under this Note) is reduced due to any forgiveness of the loan permitted by the Program. As of March 31, 2022, the balance of accrued interest related to these loans is \$829. The Company has applied for forgiveness of this loan and fully expects it to be forgiven.

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). The loan matures in 30 years and has an interest rate of 3.75%. As of March 31, 2022, \$5,257 is classified in current liabilities, with the remaining \$145,212 classified in non-current liabilities. As of March 31, 2022, the balance of accrued interest related to these loans is \$9,372.

**12. Related party transactions and commitments**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 was 7.5% and the maturity date was November 30, 2021. During the year ended December 31, 2021, the Company repaid \$760,945 on the note. On December 1, 2021, the note was replaced with a new note with principal balance of \$700,000. The interest rate is 9.75% and the maturity date is November 30, 2022. As of March 31, 2022 and December 31, 2021, the outstanding balance is \$700,000. As of March 31, 2022 and December 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 \$118,163 for TGH and \$128,936 for JHI.

### Management Service

During the three months ended March 31, 2022 and 2021, the Company paid Brent Bedford \$37,889 and \$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, 2022 and 2021, the Company incurred management fees to Trip Thomas, the Company’s CFO in the amount of \$9,000 (\$4,000 are accrued) and \$19,500, 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, 2022 and 2021, the Company paid management fees to Carl Dilley, the Company’s COO in the amount of \$0 and \$13,500, 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. Carl Dilley resigned as of July 16, 2021 as COO and Director.

### General and Administrative Expenses

During the three months ended March 31, 2022 and 2021, a small shareholder of the Company and a relative of the Company’s CEO, provided office management and administration support through a private entity that she owns amounting to \$16,576 and \$16,521, respectively. During the three months ended March 31, 2022 and 2021, the Company also obtained network and website maintenance services from this private entity for \$420 and \$416 respectively. As of March 31, 2022 and December 31, 2021, the Company owed this small shareholder \$420 and \$5,953 respectively.

During the three months ended March 31, 2022 and 2021, Brent Bedford, Chairman and CEO, provided office space, storage, and internet services through a private entity that he owns, to the Company totaling \$2,367 and \$2,360, respectively.

Related party operating expenses were comprised of the following:

|                                                  | For the Three Months Ended |                |
|--------------------------------------------------|----------------------------|----------------|
|                                                  | March 31, 2022             | March 31, 2021 |
| Management service – related party               | \$ 46,889                  | \$ 51,263      |
| General and Administrative Expense:              |                            |                |
| Office management & administrative support       | 16,576                     | 16,521         |
| Rent - Plectrum Enterprises                      | 2,367                      | 2,360          |
| Rent - Kruse Plaza                               | 78,522                     | 0              |
| Network and website maintenance                  | 420                        | 416            |
| Total general and administrative – related party | 97,885                     | 19,297         |
| Total related party operating expenses           | \$ 144,774                 | \$ 70,560      |

### Accounts receivable

The balance of accounts receivable, related party was comprised of the following:

|                                                           | <b>As of<br/>March 31,<br/>2022</b> | <b>As of<br/>December 31,<br/>2021</b> |
|-----------------------------------------------------------|-------------------------------------|----------------------------------------|
| JKEC (controlled by John Kruse of Junebug Holdings, Inc.) | \$ 9,462                            | \$ 9,462                               |
| Kruse Plaza                                               | 47,274                              | 13,968                                 |
| Total accounts payable – related party                    | <u>\$ 56,736</u>                    | <u>\$ 23,430</u>                       |

### Accounts payable and accrued liabilities

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

|                                                          | <b>As of<br/>March 31,<br/>2022</b> | <b>As of<br/>December 31,<br/>2021</b> |
|----------------------------------------------------------|-------------------------------------|----------------------------------------|
| Plectrum Enterprises, Inc. (owned by Brent Bedford, CEO) | \$ 13,862                           | \$ 269                                 |
| Brent Bedford, CEO                                       | 3,533                               | 2,237                                  |
| Flip Flop Studios (owned by, relative of CEO)            | 420                                 | 5,953                                  |
| A-Frame Accounting & Advisory, Inc.                      | 483                                 | 483                                    |
| Accrued wages (Junebug)                                  | 128,936                             | 128,936                                |
| Accrued wages (Twin Grille Holdings)                     | 118,163                             | 118,163                                |
| Total accounts payable – related party                   | <u>\$ 265,397</u>                   | <u>\$ 256,041</u>                      |

### 13. Reportable segments

The Company currently has one primary reportable geographic segment - United States. The Company has two reportable operating segments – auction and cryptocurrency mining. We also have included a Non-operating Corporate segment. All inter-segment revenues are eliminated.

Summary information with respect to the Company's operating segments is as follows:

|                               | Three Months Ended March 31, |                   |
|-------------------------------|------------------------------|-------------------|
|                               | 2022                         | 2021              |
| Revenue                       |                              |                   |
| Automobile:                   |                              |                   |
| Service revenues              | \$ 1,485,395                 | \$ 722,130        |
| Product sales                 | 3,500                        | 0                 |
| Cryptocurrency mining revenue | 46,580                       | 10,284            |
| Total revenue                 | <u>\$ 1,535,475</u>          | <u>\$ 732,414</u> |

|                               | Three Months Ended March 31, |                    |
|-------------------------------|------------------------------|--------------------|
|                               | 2022                         | 2021               |
| Income (loss) from operations |                              |                    |
| Auction                       | \$ (521,008)                 | \$ 209,448         |
| Cryptocurrency mining         | 45,569                       | 9,585              |
| Non-operating corporate       | (229,529)                    | (240,957)          |
| Total loss from operations    | <u>(704,968)</u>             | <u>\$ (21,924)</u> |

A reconciliation of the Company's consolidated segment operating income (loss) to consolidated earnings before income taxes is as follows:

|                                          | Three Months Ended<br>March 31, |                    |
|------------------------------------------|---------------------------------|--------------------|
|                                          | 2022                            | 2021               |
| Income (Loss) from operations            | \$ (701,735)                    | \$ (21,924)        |
| Interest expense                         | (19,289)                        | (20,861)           |
| Other income                             | 1,878                           | 309                |
| Foreign currency adjustments             | (38)                            | (2,658)            |
| Loss from operations before income taxes | <u>(719,184)</u>                | <u>(45,134)</u>    |
| Income tax (expense) benefit             | -                               | -                  |
| Net income (loss)                        | <u>\$ (719,184)</u>             | <u>\$ (45,134)</u> |

|                               | Three Months Ended<br>March 31, |                 |
|-------------------------------|---------------------------------|-----------------|
|                               | 2022                            | 2021            |
| Depreciation and Amortization |                                 |                 |
| Automobile                    | \$ 522,412                      | \$ 5,558        |
| Cryptocurrency mining         | 8,197                           | -               |
| Non-operating corporate       | 10,607                          | 1,681           |
| Total                         | <u>\$ 541,216</u>               | <u>\$ 7,239</u> |

|                         | Three Months Ended March 31, |                  |
|-------------------------|------------------------------|------------------|
|                         | 2022                         | 2021             |
| Capital Expenditures    |                              |                  |
| Automobile              | \$ 246,765                   | \$ 43,926        |
| Cryptocurrency mining   | 21,284                       | -                |
| Non-operating corporate | -                            | -                |
| Total                   | <u>\$ 268,049</u>            | <u>\$ 43,926</u> |

|                         | March 31,<br>2022    | December 31,<br>2021 |
|-------------------------|----------------------|----------------------|
|                         |                      |                      |
| Total Assets            |                      |                      |
| Automobile              | \$ 8,671,735         | \$ 9,325,570         |
| Cryptocurrency mining   | 370,603              | 371,740              |
| Non-operating corporate | 1,928,812            | 1,997,641            |
| Eliminations            | -                    | (179,984)            |
| Total                   | <u>\$ 10,971,150</u> | <u>\$ 11,514,967</u> |

## 14. Equity

### Unearned Compensation

On March 29, 2022, the Company entered into a platform account and media awareness agreement with a digital marketing and data technology firm called SRAX, Inc. (“Service Provider”). The agreement provides the Company with data for PR, proxy, tender offers, and prospecting services to the Company over a one year term. Services include: Sequire™ platform access, weekly downloaded NOBO and DTC lists, weekly reporting, internet advertising, paid media across multiple platforms targeting current stakeholders as well as SRAX Sequire™ proprietary investor audiences. The Company issued 3,150,000 shares of common stock at \$0.20 per share for a total consideration of \$630,000. The total cost of the agreement will be amortized over a one year term. The Common shares are restricted for a one year period (“Lock-Up”) and are bound to a leak-out restriction commencing at the end of the Lock-Up period that limits the Service Provider from selling no more than 10% of the average daily trading volume of the Company’s stock during the preceding 10 trading days.

### Preferred Stock

On October 29, 2021, the Board of Directors approved a new designation of Preferred Stock in the Company designated as “Series A Preferred Stock”. There are 160 authorized shares of Series A Preferred Stock with a par value of \$0.0001 that are eligible for conversion into 100,000 Common Shares. A Holder of Series A Preferred Shares shall be entitled to receive dividends, if available, equal to its ratable ownership of Series A Preferred Shares multiplied by 18% of the total Net Profits from the Company’s GEM Sector 450 cryptocurrency mining activities for a minimum period of 36 months. During the three months ended March 31, 2022, the Company sold 2 shares of Series A Preferred Stock for \$100,000.

### 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>October 31, 2019</u> | <u>November 18, 2020</u> | <u>April 15, 2021</u> |
|-----------------------|-------------------------|--------------------------|-----------------------|
| Options granted       | 450,000                 | 700,000                  | 1,090,000             |
| Expiration date       | October 31, 2022        | November 18, 2023        | April 15, 2024        |
| Vesting Criteria      | Immediate Vest          | Immediate Vest           | Immediate Vest        |
| Grant date fair value | <u>\$ 3,400</u>         | <u>\$ 119,169</u>        | <u>\$ 215,722</u>     |

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.

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

| Grant Date                   | October 31, 2019 | November 18, 2020 | April 15, 2021 |
|------------------------------|------------------|-------------------|----------------|
| <b>Black-Scholes Inputs:</b> |                  |                   |                |
| Underlying price             | \$0.03           | \$0.20            | \$0.27         |
| Contractual strike price     | \$0.10           | \$0.10            | \$0.25         |
| Expected term                | 1.50 Years       | 1.50 Years        | 1.50 Years     |
| <b>Market volatility:</b>    |                  |                   |                |
| Equivalent Volatility        | 125.25%          | 203.73%           | 41.25%         |
| Interest rate                | 1.53%            | 0.11%             | 0.16%          |

At March 31, 2022 and December 31, 2021, the Company had options outstanding to purchase a total of 2,240,000 shares of common stock under the Plan (the “Option Grant”), respectively. During the three months ended March 31, 2022 and 2021, the Company recorded \$0 and \$25,472 and stock-based compensation expense.

### Warrants

As of December 31, 2021 and 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. The warrants have an exercise price of \$0.01 per share and expire on January 31, 2023.

## **15. 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, 2022, the Company had \$496,383 in cash and \$1,161,573 in negative working capital. For the three months ended March 31, 2022 and 2021, the Company had net losses of \$736,403 and \$45,134, 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.

## **16. Commitments and Contingencies**

During the normal course of business, the Company may be exposed to litigation. When the Company becomes aware of potential litigation, it evaluates the merits of the case in accordance with FASB ASC 450-20-50, *Contingencies*. The Company evaluates its exposure to the matter, possible legal or settlement strategies and the likelihood of an unfavorable outcome. If the Company determines that an unfavorable outcome is probable and can be reasonably estimated, it establishes the necessary accruals. As of December 31, 2021, the Company recorded a contingent liability in the amount of \$125,000 regarding a potential monetary penalty if a consigned car doesn't sell at a future auction.

## **17. Subsequent Events**

None

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

*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, 2021 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.

On July 1, 2021, the Company entered into a new lease for its 22,000 square foot corporate headquarters in Auburn, Indiana. The principal business address is 2193 Rotunda Dr., Auburn, Indiana, USA, 46706. Phone: 702-707-9811. This new facility will give Perpetual more space to meet the growing demands of its research and development projects, as well as room to execute a large-scale Bitcoin mining center expansion for its cryptocurrency division.

The Company acquired one wholly owned subsidiary and a major software asset in 2021.

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

### **Business**

Perpetual Industries is an incubator of new technology and solutions relevant for integration and application across a wide variety of sectors. The Company operates four main business segments: (1) Research and development of energy efficient technologies, (2) Cryptocurrency mining, (3) Software Development, and (4) Classic collector car sales

The company's divisions within the segments include; blockchain development, bitcoin mining, WindSilo vertical axis wind turbine (renewable energy source), AutoGrafic custom SaaS based mobile App (artificial intelligence, graphic rendering, cloud computing), XYO Mechanical Balancing Technology, XYO enhanced OEM domestic washing machine, and the sale and acquisition of classic vintage collector motorcars at auction around the globe with wholly owned subsidiary, Worldwide Auctioneers.

In the year ended December 31, 2021, the following key items happened in the Company:

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. 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.

Worldwide is a boutique auction company that specializes in the sale and acquisition of classic vintage motorcars at auctions 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.

On March 31, 2021 the Company entered into an asset acquisition agreement to acquire the AutoGrafic Software System ("AutoGrafic") from Lavine Restorations, Inc. AutoGrafic is a social application for hosting automotive promotion and preservation. AutoGrafic is a software as a service (SaaS) and social application featuring cutting-edge technology that hosts a wide array of automotive promotion and preservation services and components. The system is specifically designed to attract global collector car enthusiasts who are looking for a novel, multifaceted, interactive automotive experience focused on a visual-based social community, collection management, social events, auctions, insurance, research, preservation and historical documentation.

On June 30, 2021, the Company filed a Certificate of Designation to create and establish a series of preferred stock of the Company designated as Series B Class of Preferred Stock. The authorized number of Series B Preferred Shares shall be 2,000,000 shares, with a par value of \$0.0001 each. The holders shall be entitled to convert any whole number of Series B Preferred Shares into 10 (ten) validly issued, fully paid and non-assessable shares of Common Stock.

On November 15, 2021, the Company filed a Certificate of Designation to create and establish a series of preferred stock of the Company designated as Series A Class of Preferred Stock. The authorized number of Series A Preferred Shares shall be 160 shares, with a par value of \$0.0001 each. All Series A Preferred Shares shall rank senior to all shares of Common Stock of the Company and to all current and future series of Preferred Stock. ), Each Series A Preferred Share shall be convertible into 100,000 validly issued, fully paid and non-assessable shares of Common Stock. Pursuant to the terms in the Certificate of Designation, a holder of outstanding Series A Preferred Shares shall be entitled to receive dividends equal to its ratable ownership of Series A Preferred Shares multiplied by 18% of the total Net Profits from the Company's GEM Sector 450 cryptocurrency mining activities.

On December 2, 2021, the Company announced a Reg D-506(c) Series A Preferred Share Offering of up to 140 shares of its Series A Preferred stock at \$50,000 per share for an aggregate offering amount of \$7,000,000 to accredited investors pursuant to Regulation D, Rule 506(c) under the Securities Act of 1933, as amended (the "Securities Act"). The purpose of this offering is to secure funds that will be directly used in the first stage of the company's expansion plan for cryptocurrency mining operations at its 22,000-square-foot facility in Auburn, Indiana. Perpetual intends to use the net proceeds of the offering for the acquisition of cryptocurrency mining processors, other computer processing equipment, data storage, electrical infrastructure, software, working capital, and for general corporate purposes.

We maintained our main corporate website at [www.perpetualindustries.com](http://www.perpetualindustries.com), as well as a technical website at [www.xyobalancer.com](http://www.xyobalancer.com). Nothing on the websites is part of any prospectus. They are informational and not part of the revenue model.

Between June and October 2021, the Company purchased 12 Bitmain S19j PRO 100TH and 20 Bitmain S19JPRO – 104TH bitcoin antminer ASIC machines for a total of 32 antminers. We hold the Bitcoin that we mine on our balance sheet, but we continue to evaluate our Bitcoin retention policy to determine the most efficient use of that asset.

## Operations and Operating Plan

Perpetual is an emerging growth company with a diverse R&D portfolio, income-generating divisions and a wholly-owned subsidiary. The company is an incubator of disruptive, energy-efficient technologies and commercialization of niche products. The company's divisions all work together to support innovation in a wide range of industries on a global scale including; renewable energy, custom software solutions, white goods, artificial intelligence, blockchain, cryptocurrency mining, graphic rendering, cloud computing and internet of things ("IoT").

Our leadership team and trusted industry partners have the resources to provide essential components needed to take projects from their initial stage through to commercialization and are consistently looking for ways to accelerate the company's growth through the expansion our divisions.

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

As we continue to grow in the area of cryptocurrency mining, we are developing our Green Energy Mining System (GEM) and expanding our expertise and knowledge of innovative technologies while continuing our research, development, and commercialization of the XYO Technology in key applications.

### SEGMENTS AND DIVISIONS

(1) Cryptocurrency mining, (2) Software Development, (3) Classic collector car sales, and (4) Research and development of energy efficient technologies

#### **Cryptocurrency Mining**

Cryptocurrency mining means generating digital assets by verifying transactions using powerful computers that tally transactions running on the blockchain. Cryptocurrencies represent a more attractive store of value than fiat currency and offer a significant opportunity for appreciation as more widespread adoption of bitcoin as a treasury reserve alternative continues to gain strength. The underlying infrastructure of cryptocurrency mining is blockchain technology which is collectively supported by a robust, decentralized, public open-source network. Blockchain technologies are rapidly gaining credibility and are being evaluated in many areas of business, finance, information management, and governance.

The Company's plan is strategically focused on rapidly growing our blockchain division with a large-scale expansion of our data center in Indiana to take advantage of the opportunity in the bitcoin mining sector. Plans include major upgrades to our data center facility, acquisition of specialized computers called Application-specific Integrated Circuits ("ASICs"), computer processing equipment, data storage, software, and additions to electrical infrastructure. This operational shift will direct the Company's resources significantly into optimizing a high-performance digital asset mining center that aims to maximize the company's return on assets and capitalize on the fast-growing blockchain ecosystem

With the funds generated by the current Reg D 506c Offering, the Company's goal is to aggressively scale up its data center, acquire computer hardware and customized software needed to mine bitcoin ("BTC"). Once this division is running at a larger scale capacity, it will generate the necessary revenues to support the operations of all the company's divisions while at the same time, continue to increase the Company's assets.

#### **AutoGrafic Software**

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. The App targets global collector car and automotive enthusiasts who want a unique, multifaceted, interactive automotive experience that is focused on a visual-based social community, collection management, social events, auctions, insurance, research, preservation and historical documentation. 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. Development of the AutoGrafic App is currently underway with a team of software programmers and designers. The first beta version was released publicly in September 2021. AutoGrafic users will soon be able to gain access to the system by using a mobile phone or web browser to choose a free plan or select from various levels of premium plans that will provide access to more of the advanced functions on a per-feature subscription basis.

As a result of these two strategic acquisitions in the first quarter of 2021 (Worldwide Auctioneers and AutoGrafic Software System), the Company is developing a unique offering in the world of collector cars by bringing Worldwide Auctioneers and the AutoGrafic Software System together in a synergistic platform designed to provide auto collectors, enthusiasts, restorers and lovers with a more interactive and connected experience.

### **Worldwide Auctioneers Wholly Owned Subsidiary**

Worldwide Auctioneers is a US-based 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 leadership team focused on offering an extensive range of personalized services to collectors. Worldwide houses a physical and virtual showroom, and a dedicated memorabilia division at its extensive Indiana headquarters. Worldwide is led by principals Rod Egan and John Kruse and operate independently under the Worldwide Auctioneers brand as a wholly owned subsidiary of Perpetual providing greater diversity and revenue streams for the Company.

### **Research and Development Portfolio**

#### **Green Energy Mining System (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. The Company's Green Energy Mining ("GEM") solution aims to be powered by Perpetual's proprietary vertical access wind turbines and other renewable, cost-effective surplus energy sources such as stranded gas, solar farms and hydro-electric dams. Powered by renewable & surplus energy sources such as wind, solar, natural gas, wind and geothermal sources that will utilize leading battery storage technology will help address the rising demand for computing power that uses green energy.

#### **XYO Proprietary Mechanical Balancing Technology**

The XYO Technology delivers energy efficient, high performance solutions by reducing vibration levels caused by unbalanced mass for rotating equipment, machinery and devices. XYO can be customized for virtually everything that rotates, creating an unlimited market potential. 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**

The Company's WindSilo turbine utilizes the Company's proprietary XYO Technology, which substantially improves balancing issues that are common in wind turbines today. Our unique design is under development to optimize spin speeds and features omni-directional capabilities with the ability to control wind source at all altitudes. The WindSilo design is being engineered to allow for much faster spin speeds and greater energy output. Through the implementation and addition of the XYO Technology into the turbine design, expensive traditional balancing methods could be eliminated while increasing performance, reliability and efficiency. Perpetual will continue collaborating with Trine University, a private post-secondary institution located in Angola, Indiana, for engineering and technical expertise to finalize the production prototype of its Windsilo product.

#### **XYO Enhanced Domestic Washing Machine**

Perpetual has plans to develop a proprietary domestic washing machine design implementing XYO Mechanical Balancers to dynamically compensate for variable mass imbalance during the spin cycle. The Company expects this innovative, energy-efficient domestic washing machine to deliver a number of benefits, including higher spin speeds, reduced energy consumption, decreased noise emissions and less mechanical wear & tear. This proprietary domestic washing machine design dynamically solves vibration at the source. With an estimated 70 million washing machines produced annually and over 500 million used daily, even a small reduction in energy consumption could be pivotal in the industry.

## **Related Party Transactions**

### 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 was 7.5% and the maturity date was November 30, 2021. During the year ended December 31, 2021, the Company repaid \$760,945 on the note. On December 1, 2021, the note was replaced with a new note with principal balance of \$700,000. The interest rate is 9.75% and the maturity date is November 30, 2022. As of December 31, 2021, the outstanding balance is \$700,000. As of March 31, 2022 and December 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 \$118,163 for TGH and \$128,936 for JHI.

### Management Service

During the three months ended March 31, 2022 and 2021, the Company paid Brent Bedford, The Company’s Chairman and CEO in the amount of \$37,889 and \$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, 2022 and 2021, the Company accrued management fees to Trip Thomas, the Company’s CFO in the amount of \$4,000 and \$0, respectively. During the three months ended March 31, 2022, the Company paid Trip Thomas \$5,000 in management fees. 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, 2022 and 2021, the Company paid management fees to Carl Dilley, the Company’s COO in the amount of \$0 and \$13,500, 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. Carl Dilley resigned as of July 16, 2021 as COO and Director.

### General and Administrative Expenses

During the three months ended March 31, 2022 and 2021, a small shareholder of the Company and a relative of the Company’s CEO, provided office management and administration support through a private entity amounting to \$16,576 and \$16,521, respectively. During the three months ended March 31, 2022 and 2021, the Company also obtained network and website maintenance services from this private entity for \$420 and \$416 respectively. As of March 31, 2022 and December 31, 2021, the Company owed this small shareholder \$420 and \$5,953 respectively.

During the three months ended March 31, 2022 and 2021, Brent Bedford, Chairman and CEO, provided office space, storage, and internet services through a private entity that he owns, to the Company totaling \$2,367 and \$2,360, respectively.

Related party operating expenses were comprised of the following:

|                                                  | For the Three Months Ended |                |
|--------------------------------------------------|----------------------------|----------------|
|                                                  | March 31, 2022             | March 31, 2021 |
| Management service – related party               | \$ 46,889                  | \$ 51,263      |
| General and Administrative Expense:              |                            |                |
| Office management & administrative support       | 16,576                     | 16,521         |
| Rent - Plectrum Enterprises                      | 2,367                      | 2,360          |
| Rent - Kruse Plaza                               | 78,522                     | 0              |
| Network and website maintenance                  | 420                        | 416            |
| Total general and administrative – related party | 97,885                     | 19,297         |
| Total related party operating expenses           | \$ 144,774                 | \$ 70,560      |

#### Accounts receivable

The balance of accounts receivable, related party was comprised of the following:

|                                                           | As of<br>March 31,<br>2022 | As of<br>December 31,<br>2021 |
|-----------------------------------------------------------|----------------------------|-------------------------------|
| JKEC (controlled by John Kruse of Junebug Holdings, Inc.) | \$ 9,462                   | \$ 9,462                      |
| Kruse Plaza                                               | 47,274                     | 13,968                        |
| Total accounts payable – related party                    | \$ 56,736                  | \$ 23,430                     |

#### Accounts payable and accrued liabilities

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

|                                                          | As of<br>March 31,<br>2022 | As of<br>December 31,<br>2021 |
|----------------------------------------------------------|----------------------------|-------------------------------|
| Plectrum Enterprises, Inc. (owned by Brent Bedford, CEO) | \$ 13,862                  | \$ 269                        |
| Brent Bedford, CEO                                       | 3,533                      | 2,237                         |
| Flip Flop Studios (owned by a relative of CEO)           | 420                        | 5,953                         |
| A-Frame Accounting & Advisory, Inc.                      | 483                        | 483                           |
| Accrued wages (Junebug)                                  | 128,936                    | 128,936                       |
| Accrued wages (Twin Grille Holdings)                     | 118,163                    | 118,163                       |
| Total accounts payable – related party                   | \$ 265,397                 | \$ 256,041                    |

## RESULTS OF OPERATIONS

The following information represents our results of operations for the three months ended March 31, 2022 versus the three months ended March 31, 2021.

### *Revenues*

Total revenues for the three months ended March 31, 2022 were \$1,535,475. Of the \$1,535,475, service revenues of \$1,485,395 and product sales of \$3,500 were derived from our wholly-owned subsidiary Worldwide and \$46,580 was derived from our cryptocurrency mining operations. Total revenues for the three months ended March 31, 2021 were \$732,414. Of the \$732,414, service revenues were \$722,130 and cryptocurrency mining revenues were \$10,284.

### *Cost of sales*

The cost of sales for the three months ended March 31, 2022 of \$765,737 were directly related to the service and product revenues, which were derived from our wholly-owned subsidiary Worldwide. The cost of sales for the three months ended March 31, 2021 of \$201,408 were directly related to the service revenues.

### *Operating Expenses*

#### *Management services, related party*

We incurred management fees in the amount of \$46,889 for the three months ended March 31, 2022 versus \$51,263 for the three months ended March 31, 2021, a decrease of \$4,374, or 9%.

#### *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 \$97,885 for the three months ended March 31, 2022 versus \$29,297 for the three months ended March 31, 2021, an increase of \$68,588. The increase was a result of increased rent expense related to new office space.

#### *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 \$660,776 for the for the three months ended March 31, 2022 versus \$155,737 for the three months ended March 31, 2021. The increase of \$505,039 primarily relates to increased staffing and travel expense and amortization expense related to a change in estimate resulting from intangible assets acquired in Worldwide acquisition.

#### *Depreciation and amortization expenses*

We incurred depreciation and amortization expense of \$541,219 for the for the three months ended March 31, 2022 versus \$7,239 for the three months ended March 31, 2021. The increase of \$533,980 primarily relates to two factors. The Company acquired \$743,971 in new assets (furniture, leasehold improvements, mining equipment) between April 1, 2021 and March 31, 2022 which contributed an additional \$22,088 in deprecation expense. Additionally, the Company recently finalized the purchase accounting for the Worldwide Acquisition. As a result, intangible assets (i.e. customer relationships, trademarks, customer list and below market lease) totaling \$4,847,000 arose from the acquisition. The Company is amortizing these intangible expenses over their respective remaining useful lives. The Company recorded amortization expense in the amount of \$516,183 for the three months ended March 31, 2022 related to the intangible assets. Of the \$516,183 in amortization expense, \$416,567 relates to the period from acquisition to December 31, 2021 and is being treated as a change in accounting estimate. The remaining \$99,916 is the expense related to the three months ended March 31, 2022.

#### *Research and development*

We incurred research and development expenses in the amount of \$1,311 for the three months ended March 31, 2022 versus \$12,635 for the three months ended March 31, 2021, a decrease of \$11,324. The research and development expenses related to cryptocurrency mining, and the WindSilo Wind Turbine.

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

Outsourced consulting fees include fees paid to outside consultants. We incurred outsource consulting fees of \$126,626 for the for the three months ended March 31, 2022 versus \$271,287 for the three months ended March 31, 2021, a decrease of \$144,661. The decrease is primarily related to focusing on hiring more full-time employees as opposed to outside contractors.

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

Other income (expense) consists of interest expense, non-related and related party, interest income, related party, other income and foreign currency adjustments. Other income (expense) for the three months ended March 31, 2022 was (\$17,449) versus (\$23,210) for the same period.

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

The Company had a net loss of \$736,403 for the three months ended March 31, 2022 versus a net loss of \$45,134 for the three months ended March 31, 2021. The increased net loss was primarily a result of recording amortization expense related to a change in estimate resulting from intangible assets acquired in Worldwide acquisition.

### ***Current Liquidity and Capital Resources for the Three Months Ended March 31, 2022 compared to Three Months Ended March 31, 2021***

|                                                     | 2022         | 2021         |
|-----------------------------------------------------|--------------|--------------|
| Summary of Cash Flows:                              |              |              |
| Net cash provided (used) by operating activities    | \$ (384,341) | \$ (32,417)  |
| Net cash used in investing activities               | (268,615)    | 30,201       |
| Net cash provided by (used in) financing activities | 101,469      | 1,082,330    |
| Fx translation                                      | (677)        | 0            |
| Net decrease in cash and cash equivalents           | (552,164)    | 1,080,114    |
| Beginning cash and cash equivalents                 | 1,048,547    | 589,724      |
| Ending cash and cash equivalents                    | \$ 496,383   | \$ 1,669,838 |

### ***Operating Activities***

Cash used in operations of \$384,341 during the three months ended March 31, 2022 was primarily a result of our \$725,417 net loss reconciled with our net non-cash expenses relating to stock-based compensation, depreciation and amortization expense, interest income, forgiveness of debt, and accounts payable and accrued expenses. Cash used in operations of \$32,417 during the three months ended March 31, 2021 was primarily a result of our \$45,134 net loss reconciled with our net non-cash expenses relating to stock-based compensation, depreciation expense, interest income, and accounts payable and accrued expenses.

### ***Investing Activities***

Net cash (used in) provide by investing activities for the three months ended March 31, 2022 was (\$268,615) versus \$30,201 for three months ended March 31, 2021. During the three months ended March 31, 2022, the Company purchase fixed assets in the amount of \$268,615. During the three months ended March 31, 2021 the Company acquired \$30,201 in cash from the Worldwide acquisition.

### ***Financing Activities***

Net cash provided by financing activities was \$101,469 for the three months ended March 31, 2022 versus net cash used in financing activities of \$1,082,330 for the three months ended March 31, 2021. The net cash provided by financing activities for the three months ended March 31, 2022 included \$100,000 from proceeds from the sale of Series A Preferred Stock. The net cash provided by financing activities for the three months ended March 31, 2021 included \$964,000 from proceeds from the sale of common stock and \$124,772 of proceeds from Payroll Protection Program Loan.

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

Our capital requirements for 2022 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, acquisitions, 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.

We plan to finance the operations and product development work in 2022 with the completion of the Company's Reg D 506(c) Offering Memorandum for up to 140 Series A Preferred shares. Other means include acquisitions, 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. 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.

### ***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***

We have not attained profitable operations and are dependent upon obtaining financing to pursue any extensive activities. For these reasons, our auditors stated in their report on our audited financial statements that they have substantial doubt that we will be able to continue as a going concern without further financing.

### ***Future Financings***

We will continue to rely on equity sales of our Common and Preferred shares in order to continue to expand 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 Annual 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 March 31, 2022, 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 March 31, 2022 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 three directors (Brent Bedford, 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:*

None.

**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 21, 2022</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 21, 2022</u>              | <u>/s/ William Griffin Thomas, III ("Trip")</u>                                                                                         |
| Date                             | Trip Thomas, Chief Financial Officer                                                                                                    |
| <u>May 21, 2022</u>              | <u>/s/ Craig Dansereau</u>                                                                                                              |
| Date                             | Craig Dansereau, Director                                                                                                               |
| <u>May 21, 2022</u>              | <u>/s/ Rod Egan</u>                                                                                                                     |
| Date                             | Rod Egan, Director                                                                                                                      |
| <u>May 21, 2022</u>              | <u>/s/ Thomas Ristow</u>                                                                                                                |
| Date                             | Thomas Ristow, Director                                                                                                                 |
| <u>May 21, 2022</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**