PERPETUAL INDUSTRIES INC.

QUARTERLY REPORT

FOR THE THREE MONTHS ENDED

OCTOBER 31 ,2019

FINANCIAL STATEMENTS

Perpetual Industries, Inc.

Financial Statements

PERPETUAL INDUSTRIES, INC.
Balance Sheets

	October 31, 2019 (Unaudited)	July 31, 2019
ASSETS		
Current assets		
Cash	$ 779,976	$ 951,507
Total current assets	779,976	951,507
Property, plant and equipment	84,130	84,130
Accumulated depreciation	(64,777)	(63,329)
	19,353	20,801
Note receivable and accrued interest	150,953	150,953
Total non-current assets	170,306	171,754
Total assets	$ 950,282	$ 1,123,261
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	233,671	238,535
Accounts payable and accrued expenses - related party	135,793	166,002
Convertible notes payable and accrued interest	11,966	58,166
Total current liabilities	381,430	462,703
Non-current liabilities:		
Notes payable and accrued interest	1,372,105	1,346,105
Total liabilities	1,753,535	1,808,808
Commitments and contingencies	-	-
STOCKHOLDERS' DEFICIT		
Common stock, $0.001 par value; 100,000,000 shares authorized 39,491,400 and 35,491,400 issued and outstanding at October 31, 2019 and July 31, 2019, respectively	39,491	35,491
Additional paid in capital	10,173,438	10,177,438
Other accumulated comprehensive loss	(20,285)	(15,233)
Accumulated deficit	(10,995,897)	(10,883,243)
Total stockholders' deficit	(803,253)	(685,547)
Total liabilities and stockholders' deficit	$ 950,282	$ 1,123,261

The accompanying notes are an integral part of these financial statements

PERPETUAL INDUSTRIES, INC.

Statements of Operations and Comprehensive Income (Unaudited)

	Three Months Ended October 31, 2019	October 31, 2018
Service revenue	$ -	$ -
Operating expenses		
Personnel expenses, related party	18,114	14,959
General and administrative expenses, related party	2,790	3,439
General and administrative expenses	100,157	17,332
Total operating expenses	121,061	35,730
Net operating loss	(121,061)	(35,730)
Other income (expense)		
Interest expense, related party	-	(11,135)
Interest expense, non-related party	(26,200)	-
Gain on forgiveness of debt	34,667	-
Other income	48	-
Foreign currency adjustments	(108)	11
Total other income (expense)	8,407	(11,124)
Net income (loss)	$ (112,654)	$ (46,854)
Unrealized translation gain (loss)	(5,052)	-
Comprehensive income (loss)	$ (117,706)	(46,854)
Basic and diluted (loss) gain per share	$ (0.00)	$ (0.00)
Basic and diluted weighted average common shares outstanding	34,154,765	34,154,765
Diluted (loss) gain per share	$ (0.00)	$ (0.00)
Diluted weighted average common shares outstanding	61,431,290	34,154,765

The accompanying notes are an integral part of these financial statements

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PERPETUAL INDUSTRIES INC.
Consolidated Statement of Changes in Stockholders' Equity
Three Months Ended October 31, 2019

	Common Stock		Additional Paid in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total
	Shares	Amount				
Balance August 1, 2019	35,491,400	$ 35,491	$ 10,177,438	(15,233)	$ (10,883,243)	$ (685,547)
Issuance of common stock for cash	4,000,000	4,000	(4,000)	0	0	0
Net Loss	0	0	0	(5,052)	(112,654)	(117,706)
Balance October 31, 2019	**39,491,400**	**$ 39,491**	**$ 10,173,438**	**(20,285)**	**$ (10,995,897)**	**(803,253)**

PERPETUAL INDUSTRIES INC.
Consolidated Statement of Changes in Stockholders' Equity (Unaudited)
Three Months Ended October 31, 2018

	Common Stock		Additional Paid in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total
	Shares	Amount				
Balance August 1, 2018	35,491,400	$ 35,491	$ 9,975,438	0	$ (11,355,190)	$ (1,344,261)
Net Loss	0	0	0	0	(46,854)	(46,854)
Balance October 31, 2018	**35,491,400**	**$ 35,491**	**$ 9,975,438**	**0**	**$ (11,402,044)**	**(1,391,115)**

The accompanying notes are an integral part of these financial statements

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PERPETUAL INDUSTRIES, INC.
Statements of Cash Flows (Unaudited)

	Three Months Ended			
	October 31, 2019		October 31, 2018	
Cash Flows from Operating Activities				
Net Loss	$	(112,654)	$	(46,854)
Adjustments to reconcile net loss to net cash used by operating activities:				
Depreciation expense		1,448		-
Gain on forgiveness of debt		(34,667)		-
Changes in operating assets & liabilities				
Accounts payable		(28,177)		11,135
Accrued expenses		14,252		(43,695)
Net cash used by operating activities		(159,798)		(79,414)
Cash Flows from Financing Activities				
Proceeds from the issuance of notes payable		-		100,000
Payments of convertible notes payable		(11,733)		-
Net cash provided by financing activities		(11,733)		100,000
(Decrease) Increase in Cash		(171,531)		20,586
Cash at beginning of period		951,507		207,389
Cash at end of period	$	779,976	$	227,975
Supplemental Cash Flow Information				
Cash paid for interest	$	-	$	-
Cash paid for income taxes	$	-	$	-

The accompanying notes are an integral part of these financial statements

1. Nature of operations

Perpetual Industries Inc. (the "Company") was incorporated under the laws of Nevada in January 2005. The Company coordinates research and development activities aimed at bringing new technology to market. The Company's primary focus was researching and developing a proprietary technology known as The XYO Mechanical Balancing Technology ("XYO"). The Company developed and designed XYO to eliminate vibration on rotating equipment in numerous industries to create energy efficient, environmentally responsible products.

The Company's attempts to commercialize the XYO Technology through joint ventures and licensing arrangements did not materialize. During 2017, the Directors of Perpetual decided to re-evaluate the marketing and revenue models of the company and concluded that a new approach was necessary. A decision was made to reorganize the company to allow for diversification and the addition of new revenue streams.

At present, the company is expanding its expertise and knowledge of energy efficient technology into developing low cost, green energy powered solutions for a variety of industries including renewable energy, blockchain mining, artificial intelligence, graphic rendering, and cloud computing.

2. Summary of significant accounting policies

Basis of Presentation

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

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.

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 on cash.

Property, Plant and Equipment

Equipment are stated at cost and depreciated using the straight-line method over their estimated useful lives of 3 to 5 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. Depreciation expense for the three months ended October 31, 2019 amounted to $1,448.

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.

Comprehensive Income (loss)

ASC Topic 220 (SFAS No. 130) establishes standards for reporting comprehensive income and its components. Comprehensive income or loss is defined as the change in equity during a period from transactions and other events from non-owner sources.

Convertible Debt

If the conversion features of conventional convertible debt provide for a rate of conversion that is below market value at issuance, this feature is characterized as a beneficial conversion feature ("BCF"). A BCF is recorded by the Company as a debt discount pursuant to ASC Topic 470-20 "Debt with Conversion and Other Options." In those circumstances, the convertible debt is recorded net of the discount related to the BCF, and the Company amortizes the discount to interest expense, over the life of the debt. As of October 31, 2019 and July 31, 2019
no BCF was applicable on convertible debt.

Fair Value of Financial Instruments

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

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

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

Foreign Currencies

The Company determined that its functional currency is the United States dollar since the U.S. dollar is the currency of the environment in which the Company primarily generates and expends cash. Foreign currency transaction gains and losses represent gains and losses resulting from transactions entered into in a currency other than the functional currency of the Company. These transaction gains and losses are included in results of operations. For the year three months ended October 31, 2019, the Company had a foreign currency transaction loss of $108 versus foreign currency transaction income in the amount of $11 the three months ended October 31, 2018. Translation gain or loss is included in other comprehensive income (loss).

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 not filed any U.S. or Canadian income or other tax returns. Had the returns been filed there would be taxable losses and tax losses available to offset future taxable income. The Company has not determined the amount of the potential benefits for these tax losses, because at this time it is more likely than not that the benefits will not be realized. For more information, see *Note 11 - Income Taxes*.

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.

Recent Accounting Pronouncements

In February 2016, FASB issued ASC 842 that requires lessees to recognize lease assets and corresponding lease liabilities on the balance sheet for all leases with terms of more than 12 months. The update, which supersedes existing lease guidance, will continue to classify leases as either finance or operating, with the classification determining the pattern of expense recognition in the income statement.

The ASU will be effective for annual and interim periods beginning after December 15, 2019, with early adoption permitted, and is applicable on a modified retrospective basis with various optional practical expedients. The Company has assessed the impact of this standard. The company's current leases as of the balance sheet date do not fall under this guidance as they are month-to-month leases. However, the Company entered into a new lease agreement in September 2019 which falls under this current guidance and will be implemented the quarter ended January 31, 2020.

The Company reviews new accounting standards as issued. No new standards had any material effect on these financial statements. The accounting pronouncements issued subsequent to the date of these financial statements that were considered significant by management were evaluated for the potential effect on these consolidated financial statements.

In August 2018, the FASB issued Accounting Standards Update 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement ("ASU 2018-13"), which modifies the disclosure requirements on fair value measurements. ASU 2018-13 is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, with partial early adoption permitted for eliminated disclosures. The method of adoption varies by the disclosure. The Company is currently evaluating the impact that adopting this guidance will have on the audited financial statements.

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

Comparative Figures

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

2. Property, plant and equipment

Equipment consisted of the following at October 31, 2019 and July 31, 2019:

		October 31, 2019		July 31, 20199
Computer hardware	$	33,862	$	33,862
Trailer & Vehicles		23,244		23,244
Computer software		17,288		17,288
Computers and peripherals		9,736		9,736
		84,130		84,130
Less: Accumulated depreciation		(64,777)		(63,329)
Equipment – net	$	19,353	$	20,801

Depreciation expense was $1,448 for the three months ended October 31, 2019.

3. Notes receivable

On July 3, 2019, the Company entered into a non-binding letter of intent with Worldwide Group, LLC ("seller") to acquire all of its outstanding units. The acquisition is contingent on the parties entering into a Purchase Agreement at a later date. In connection with the non-binding letter of intent, the Company agreed to loan Worldwide Group, LLC $150,000. The loan has a coupon rate of 8% and has a maturity date of January 3, 2021. For the three months ended October 31, 2019, the Company recorded interest income in the amount of $48.

4. Accrued expenses

Accrued expenses as of October 31, 2019 and July 31, 2019:

		July 31, 2019		July 31, 2018
Accrued interest	$	15,621	$	15,621
Accrued legal fees		125,000		128,948
Accrued audit fees		59,067		67,067
Total	$	199,688	$	211,636

5. Convertible notes

On September 30, 2014, the Board authorized the Company's Chairman, President and CEO to enter the Company into various convertible notes (the "Convertible Notes") for the purposes of (1) retiring existing debts and (2) taking on new debts for services rendered. Pursuant to the terms of the Convertible Notes, the Convertible Notes are unsecured demand notes, accrue interest at 8% per annum, have a conversion price set at $0.30 per share, with up to 8,000,000 shares of the Company's common stock, and a total potential value of $2,400,000. The convertible notes have been entered into with various parties for a total principal value convertible into 6,216,000 shares of the Company's common stock before accrued but unpaid interest (rounded up to the nearest 1,000 shares for each holder). Convertible Notes for the remaining authorized 1,784,000 shares have not been entered into.

On October 31, 2017 the related parties listed in the table below, agreed to forgive $1,664,292 of their convertible note debt to the Company consisting of $1,336,786 in convertible debt principle, plus accrued interest of $327,506 as additional contributed capital in exchange for warrant consideration.

Debt Holder	Convertible Note Principle		Convertible Note Interest		Total Debt Forgiven	
ETI Technologies Inc.	$	997,826	$	246,130	$	1,243,956
Brent Bedford		328,960		81,143		410,103
Craig Dansereau		5,000		133		5,133
Don Jensen		5,000		100		5,100
TOTAL	$	1,336,786	$	327,506	$	1,664,292

During the year ended July 31, 2019 non-related parties agreed to forgive $709,628 of their convertible note debt to the Company consisting of $511,751 in convertible debt principle, plus accrued interest of $197,877. The company recorded $709,628 as gain on forgiveness of debt related to this transaction. During the three months ended October 31, 2019, the Company repaid $10,000 in principal and $1,733 in accrued interest. Additionally, during the three months ended October 31, 2019, non-related parties agreed to forgive $25,000 in principal and $9,667 in accrued interest. The Company recorded $34,667 as gain on forgiveness of debt related to this transaction.

At October 31, 2019, the total amount outstanding with respect to the Convertible Notes was:

Holder's Relationship to Company	Nature of Services	Convertible Principal		Convertible Interest	
All others: consultants and/or independent contractors	Various marketing, engineering and administrative services		10,000		1,967
	Total	$	10,000	$	1,967

6. Other current liabilities

During the 2019 fiscal year, various vendors agreed to forgive $29,502 in accounts payable. The company recorded $29,502 as gain on forgiveness of debt related to this transaction.

7. Long-term notes payable

On May 9, 2018, the Company issued a loan with a face value of $300,000. The coupon rate is 8% and the maturity date is June 10, 2024. The balance of accrued interest for this loan was $35,447 and $29,447 as of October 31, 2019 and July 31, 2019, respectively. For the three months ended October 31, 2019, the Company recorded $6,000 in interest expense.

On October 3, 2018, the Company issued a loan with a face value of $100,000. The coupon rate is 8% and the maturity date is October 3, 2022. The balance of accrued interest for this loan was $8,597 and $6,597 as of October 31, 2019 and July 31, 2019, respectively. For the three months ended October 31, 2019, the Company recorded $2,000 in interest expense.

On June 10, 2019, the Company issued a loan with a face value of $300,000. The coupon rate is 8% and the maturity date is June 10, 2024. The balance of accrued interest for this loan was $9,353 and $3,353 as of October 31, 2019 and July 31, 2019, respectively. For the three months ended October 31, 2019, the Company recorded $6,000 in interest expense.

On June 10, 2019, the Company issued a loan with a face value of $600,000. The coupon rate is 8% and the maturity date is June 10, 2024. The balance of accrued interest for this loan was $18,707 and $6,707 as of October 31, 2019 and July 31, 2019, respectively. For the three months ended October 31, 2019, the Company recorded $12,000 in interest expense.

8. Lease obligation

Total rent expense for the three months ended October 31, 2019 and 2018, was $2,550 and $3,200, respectively. The rental is on a month to month basis.

9. Related party transactions and commitments

Management Services

During the three months ended October 31, 2019 and 2018, the Company accrued management fees owed to Brent Bedford, the Company's Chairman, President and CEO in the amount of $18,114 and $14,959, respectively. 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 personnel expenses, related party.

General and Administrative Expenses

During the three months ended October 31, 2019 and 2018, the general and administrative expenses, related parties amounted to $2,790 and $3,439, respectively. During the three months ended October 31, 2019 and 2018, Brent Bedford, Chairman, President and CEO, provided office space, storage, and internet services to the Company. The amount of rent expense totaled $2,550 and $3,199 for the three months ended October 31, 2019 and 2018, respectively. During the three months ended October 31, 2019 and 2018, the Company was provided network and website maintenance services from a related entity. The owner of the entity is a small shareholder of the Company, and a relative of the Company's president. Total services provided from this entity to the Company during the three months ended October 31, 2019 and 2018, were approximately $240 and $240, respectively.

Reconciliation of Related Party Expenses Disclosures to Related Party Expenses Line of Statement of Operations

	Three Months Ended October 31, 2019	Three Months Ended October 31, 2018
Management services – related party	$ 18,114	$ 14,959
General and Administrative Expenses:		
Rent	2,550	3,199
Network and website maintenance	240	240
	2,790	3,439
Total Related Party Expenses	$ 74,742	$ 18,398

10. Equity

Common Stock

At October 31, 2019 and July 31, 2019, the total number of shares of the Company's common stock that were issued and outstanding was 39,491,400 and 35,491,400, respectively.

In the statement of stockholders' equity, there are $2,000 recorded as shareholder contributions not expected to be repaid.

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 an aggregate 4,900,000 shares of common stock were granted to directors and consultants on May 31, 2018. These stock options vest immediately upon grant date and have an expiration periods of three years. The exercise price is fixed at $0.10 per share. The Company recorded $1,194,970 in non-cash expenses associated with these stock options at the time of issuance.

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

At October 31, 2019 and July 31, 2019, the Company had options outstanding to purchase a total of 4,900,000 (14% of 34,491,000 total shares issued and outstanding) shares of common stock under the Plan (the "Option Grant"). The options include options to purchase 1,400,000 shares granted to consultants and/or independent contractors of the Company that are not executive officers as defined in Rule 501(f) of Reg D).

Warrants

As of October 31, 2019 and July 31, 2019, the Company had 21,000,000 warrants outstanding.

12. 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 October 31, 2019 and July 31, 2019, the Company had $779,976 and $951,507 in cash and $398,546 and $488,804 in negative working capital, respectively. For the three months ended October 31, 2019 and 2018, the Company had a net loss of $112,654 and $46,854, 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.

13. Commitments and Contingencies

None.

14. Subsequent Events

None.