

PERPETUAL INDUSTRIES INC.

AUDITED ANNUAL REPORT

**FOR THE FIVE MONTHS ENDED
DECEMBER 31, 2019**

AND

**TWEVLE MONTHS ENDED
JULY 31, 2019 AND JULY 31, 2018**

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FORWARD-LOOKING STATEMENTS

This Annual Financial Report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These forward-looking statements are not historical facts but rather are based on current expectations, estimates and projections. We may use words such as "anticipate," "expect," "intend," "plan," "believe," "foresee," "estimate", "would", "could", "should", "predicts", "projects", "seeks", "potential", "likely", and variations of these words and similar expressions to identify forward-looking statements. These statements are not guarantees of future performance and are subject to certain risks, uncertainties and other factors, some of which are beyond our control, are difficult to predict and could cause actual results to differ materially from those expressed or forecasted. These risks and uncertainties include the following:

- The availability and adequacy of our cash flow to meet our requirements;*
- Economic, competitive, demographic, business and other conditions in our local and regional markets;*
- Changes or developments in laws, regulations or taxes in our industry;*
- Actions taken or omitted to be taken by third parties including our suppliers and competitors, as well as legislative, regulatory, judicial and other governmental authorities;*
- Competition in our industry;*
- The loss of or failure to obtain any license or permit necessary or desirable in the operation of our business;*
- Changes in our business strategy, capital improvements or development plans;*
- The availability of additional capital to support capital improvements and development; and*
- Other risks identified in this report and in our other filings with the Securities and Exchange Commission or the SEC.*

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.

PART I

ITEM 1. BUSINESS.

Organization

Perpetual Industries Inc. (“Perpetual”) is a Nevada corporation formed on January 25, 2005.

Perpetual has new headquarters for its operations and research and development with a principal business address at Unit F, 5634 Opportunity Blvd., Auburn, Indiana, USA, 46706. Phone: 702-707-9811.

Perpetual has not been involved in any bankruptcy, receivership, or similar proceeding.

There has been no material reclassification, merger, consolidation, or purchase or sale of a significant amount of assets not in the ordinary course of business.

Perpetual Industries is an incubator for the development of new and innovative energy efficient technologies. We are focused on the implementation of environmentally friendly solutions for numerous industries including the blockchain industry. Our goal is to advance and integrate green energy power sources such as solar, wind, and hydro in order to lessen the environmental impact of various industries as well as decentralized blockchain systems.

On March 4, 2020, we announced we would change our fiscal year end to December 31 of each calendar year from July 31. This transition report is for the five-month transition period of August 1, 2018 through December 31, 2019.

Business

We are an emerging growth company. Our business is in research and development and the commercialization of new and innovative energy efficient products.

Current research and development efforts are underway for the creation of our proprietary Green Energy Mining (GEM) System. Incorporation of Masternodes, Proof of Stake, Proof of Work, and DApps are all part of our GEM System. Our goal is to significantly reduce the cost of power consumed by miners in the fast emerging global Blockchain and Crypto mining industry.

The company is currently optimizing a new and innovative design of a wind turbine called the “WindSilo” utilizing the company’s proprietary XYO Mechanical Balancing Technology. The wind turbine under development offers numerous benefits and advantages for both grid tied and off grid applications.

Plans for the creation of an XYO enhanced Washing Machine are underway as well.

The XYO Mechanical Balancing Technology is designed specifically to eliminate vibration in rotating equipment and create energy efficient, environmentally responsible products. The overall intellectual property surrounding the XYO technology is comprised of specialized know-how and specific design and testing procedures. The company continues to offer design and optimization services to manufacturers interested in implementing XYO into their products.

The XYO technology has been proven to work quite well in prototypes in a variety of applications. Fundamental research and development, and more recently technical marketing (including product design, testing, manufacturing planning, and sales support), are essential to the commercialization of the XYO technology. Perpetual is now pursuing a strategic partnership with a capable engineering firm to assist with the design and implementation of the XYO Balancing Technology for interested manufacturers worldwide.

Today, 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. We are engineering a new, revolutionary design for a crypto mining farm system that optimizes the collection of green energy to produce a powerful, self-sustaining mining farm. It is called the Green Energy Mining (GEM) System.

Operations

In the five months ended December 31, 2019 and twelve month ended July 31, 2019, the following key items happened in the Company:

Effective May 8, 2019, the Alberta Securities Commission (“ASC”) and the British Columbia Securities Commission (“BCSC”) each issued the Company a “Partial Revocation Order” of the cease trade orders previously issued by each of the ASC and the BCSC, to permit the Company to complete the Private Placement (as defined below).

The Partial Revocation Order allowed the Company to complete a non-brokered private placement (the “**Private Placement**”) of USD\$200,000 by way of the issuance of common shares of the Company at a price of USD \$0.05 per share to a subscriber pursuant to the “Accredited Investor” exemption under Section 2.3 of National Instrument 45-106 - *Prospectus Exemptions*. The proceeds of the Private Placement are slated to be used by the Company to cover all costs and fees (including audit fees, professional fees, late filing fees and any other applicable fees) so that the Company can file the applicable financial statements, management’s discussion and analysis and related certifications required by applicable law in order for the Company to become current with respect to its continuous disclosure obligations.

The Company has applied for a Full Revocation of the Cease Trade Order (CTO) and is currently engaged in active communications to comments regarding the CTO with the Alberta Securities Commission (“ASC”) and the British Columbia Securities Commission (“BCSC”).

During 2019, we raised \$1,000,000 in operating capital through private loans from exempt individuals and companies.

Perpetual will continue to include The XYO Technology in its business plan to be executed in four key categories:

- a) Prototype evaluation projects and commercialization of XYO implementations.
- b) Integration with the GEM Mining System.
- c) Creation of an XYO enhanced Washing Machine.
- d) Optimization of a wind turbine utilizing the XYO Technology.

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.

On August 1, 2019 the convertible note for Pat McGannon was paid out in cash and the note was terminated. The note balance settled totaled \$11,733 which included \$10,000 principle and \$1,733 in interest.

On Oct 31, 2019 the convertible note for Yana Klimava was forgiven and the note was terminated. The note balance forgiven totaled \$34,667 which included \$25,000 principle and \$9,667 in interest.

We maintained a board of advisors to provide advice, recommendations and guidance from a variety of perspectives.

We developed and refined our marketing plan, including corporate video and branding work and the creation of our informational websites. We maintain our main corporate website at www.perpetualindustries.com, as well as a technical website at www.xyobalancer.com, and a high-performance energy efficient automotive parts marketing website at www.xyoracing.com. Nothing on the websites is part of any prospectus. They are informational and not part of the revenue model.

Operating Plan

Our plan is to seek out joint venture partners and form strategic alliances/partnerships in a number of industry segments where our technology, skills and know-how can lead to lower-cost and more energy-efficient and environmentally responsible products. Our vision is that the partners will have deep knowledge of their industry, markets and competitors. We will work with the partners to create products that offer significant performance benefits when compared to products currently being offered in their respective markets.

In some cases, it may be appropriate for Perpetual to enter into contracted supplier arrangements with manufacturing and assembly partners.

For the next few years we will endeavor to designing and implement the XYO technology into some of the following products:

- Household products: washing machines,
- Heavy transportation and trucking parts: wheels, clutch fans, and drive shafts
- Natural resources applications: oil & gas
- Power generation applications: Wind turbines, electric motors, alternative energy
- Aviation applications: drones,
- Pump, Compressor and Turbine applications: submersible, water, and refrigeration

Our Competition and Our Market Position

A high-end niche opportunity exists for best-in-category products that can challenge the status quo by delivering superior performance.

For reasons of cost and competitive nearsightedness, many large brand-name companies with established product lines are inhibited from implementing the fullest version of the XYO technology. Like a large ship trying to change course, it becomes a cumbersome and slow process. By contrast, Perpetual has the flexibility and dedication to make the most of new innovations such as XYO, capitalizing on our secret know-how and our ability to manufacture and implement XYO cost-effectively. It will also include innovative, energy efficient products that are optimized around XYO balancers.

As a potential secondary revenue stream, we will continue to pursue sub-licensing opportunities, essentially selling a prototype, an engineering drawing, technical support and rights to use our intellectual property, when it is implemented to its fullest potential, the inventive features and unique designs of many of the XYO-branded products may even prove to be eligible for new patent protection.

Sources and Availability of Raw Materials

Since Perpetual Industries will be working with established manufacturers to make products that are relatively commonplace except for the addition of our innovative XYO technology, there are no concerns about the sources and availability of raw materials. XYO balancers themselves can be made of materials that are abundantly available.

Dependence on One or a Few Major Customers

We do not intend to be dependent on one or a few major customers in the long term, however in the early stages of our manufacturing and sales activity, this may be the case.

Intellectual Property

We are investigating the potential to expand the catalogue of patents and know-how that we have generated, acquired, or obtained the rights to, including the pursuit of patents for innovative features emerging in our product designs.

XYO Proprietary Mechanical Balancing Technology

The XYO Technology delivers energy efficient, high performance solutions for rotating equipment, machinery and devices. It is a previously patented technology that was originally licensed from ETI Technologies Inc. until the mutual termination of the licensing agreement was completed in October 2017. Today, Perpetual holds 100% ownership of the intellectual property rights worldwide for the XYO Automatic Mechanical Balancing Technology, which can be developed and optimized for a multitude of industries without any future licensing or royalty commitments.

Research and Development

Our know-how regarding the design principles, production, and implementation of XYO balancing solutions is the result of many years of fundamental R&D. In the early years we carried out R&D work to refine our core know-how and other intellectual property, and optimized the implementation of XYO in certain applications. Some of these results are available to the public at our technical website, www.xyobalancer.com.

We continue to develop relationships with capable engineering firms, and certain individual contractors, to further optimize the potential of the XYO Technology. Such relationships enable us to easily carry out prototyping, design and comparative testing, and to give accurate quotes on materials, assembly and manufacturing.

Each implementation of the XYO technology requires its own intensive prototype testing phase. However, the cost of these projects is typically borne in large part by customers who hope to utilize the technology, and we have not incurred substantial R&D costs during the last two fiscal years or the current year-to-date.

Our Employees

Currently we have three individuals providing management and business administrative services:

Brent Bedford, Chairman, President and CEO, has an oral agreement under which he provides management services through a private entity that he owns. All of his time is spent on Perpetual. All of his time is spent on the Company, except that up to 20 hours per quarter is spent on his private entity, Graffiti Group Inc. He does not believe that this de minimus time spent each quarter detracts from his ability to devote essentially all of his time and efforts to the implementation of our business plan and in no way detracts from the development of our business.

Carl Dilley, Chief Operating Officer (COO) of Perpetual Industries since September 2019 and Director since May 2015. Carl plays a supporting role to President and CEO, Brent Bedford, in addition to identifying strategic joint venture partnerships and potential mergers and acquisitions that can help Perpetual commercialize the XYO Technology in various industries and applications.

William Griffin Thomas, Chief Financial Officer (CFO) of Perpetual Industries. Trip has more than 19 years of experience in the field of accounting. His experience includes private industry, public company, public accounting and non-profit. His experience includes auditing, budget analysis, fixed assets, financial modeling, SEC financial reporting, GAAP compliance and fair value measurements. Additionally, Trip holds a Bachelor of Science in Accounting from the University of Tampa and a Bachelor of Science in Agribusiness from the University of Florida. He is a licensed CPA in the State of Florida.

Engineering and industrial research and development, design activities surrounding the development and implementation of the XYO technology in a variety of applications, support provided by contracted specialized engineers on an as-requested basis, available to us on an individual contractor basis, a marketing/engineering liaison, and project management for projects, sales and marketing. We have no formal contract or agreement with these entities and individuals; work is requested and invoiced on a monthly basis.

Regulatory Environment

The company deals with government approvals, regulations, and environmental laws primarily by having a business model in which it is our contract manufacturers and our sublicensed customers who are ultimately responsible for their facilities' and products' compliance in the regions and markets of their expertise.

Perpetual Industries is subject to various laws and regulations administered by federal, state and local governmental agencies in the United States as well as the Canadian jurisdictions of Alberta and British Columbia, due to a majority of its shareholders being Canadian citizens, residing in those provinces.

On December 4, 2015 the Alberta Securities Commission ("ASC"), and on December 8, 2015 the British Columbia Securities Commission ("BCSC"), issued the Company with a cease trade order due to a default for failure to file its year ended July 31, 2015 annual audited financial statements, annual management's discussion and analysis, certification of annual filings, and annual information form, collectively the "Financial Statements", on SEDAR (the Canadian public securities documents and information filing system, similar to EDGAR in the US).

On May 20, 2016, the Company filed a Form 15 with the United States Securities and Exchange Commission due to its inability to meet reporting and disclosure requirements of a fully reporting issuer at that time, specifically audited financial statements. This resulted in a termination of registration of the Company's Common Stock, under Rule 12g-4(a)(1) and suspension of its duty to file reports, under Rule 15d-6.

The Company's management worked diligently during 2019 with its CFO and PCAOB registered auditing firm to complete all the required financial disclosures to meet continuous obligations under the regulations of the OTC MARKETS and Canadian Alberta Securities Commission (ASC) and the British Columbia Securities Commission (BCSC). As of January 2020, the Company had made all the required audited financial filings that were necessary to re-establish its PINK Current Information status with the OTC MARKETS.

The Company anticipates filing a registration statement with the SEC in 2020 in order to be reinstated as a fully reporting issuer and making the applicable reporting disclosure filings on a continuous and ongoing basis with the SEC after the receipt of the full revocation order by the Canadian Regulators ASC and BCSC.

Subsequent Events

The company entered into a lease agreement for operations in a 6,000 square foot facility in Auburn Indiana located at 5634 Opportunity Blvd, Unit F. The lease starts on January 1, 2020. We will continue working in this new space with a team of highly qualified engineering and industrial design resources for the research and development of a wide variety of new and innovative energy efficient technologies.

ITEM 1A. RISK FACTORS.

Not applicable. Smaller reporting companies are not required to provide the information required by this item.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

Not applicable. Companies that are not an accelerated filer or a large accelerated filer are not required to provide the information required

by this item.

ITEM 2. PROPERTIES

The Company has established a new headquarters in Auburn, Indiana. The lease agreement started on January 1, 2020.

ITEM 3. LEGAL PROCEEDINGS

We know of no material, existing or pending legal proceedings against our company, nor are we involved as a plaintiff in any material proceeding or pending litigation. There are no proceedings in which our director, officer or any affiliates, or any registered or beneficial shareholder, is an adverse party or has a material interest adverse to our interest.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR THE COMPANY'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Common Stock

Our common stock had been quoted on the OTC MARKETS since October 2, 2015 under the symbol PRPI.

The following table sets forth the high and low bid prices for our Common Stock per quarter as reported by the OTC Markets Pink Sheets for the quarterly periods indicated below based on our transition period ended December 31, 2019. These prices represent quotations between dealers without adjustment for retail mark-up, markdown or commission and may not represent actual transactions.

Period	High	Low
First Quarter (August 1, 2017– October 31, 2017)	\$ 0.0569	\$ 0.05
Second Quarter (November 1, 2017–January 31, 2018)	\$ 0.0577	\$ 0.05
Third Quarter (February 1, 2018– April 30, 2018)	\$ 0.0599	\$ 0.025
Fourth Quarter (May 1, 2018–July 31, 2018)	\$ 0.025	\$ 0.025
First Quarter (August 1, 2018– October 31, 2018)	\$ 0.025	\$ 0.0125
Second Quarter (November 1, 2018–January 31, 2019)	\$ 0.02625	\$ 0.0125
Third Quarter (February 1, 2019– April 30, 2019)	\$ 0.02625	\$ 0.02625
Fourth Quarter (May 1, 2019–July 31, 2019)	\$ 0.02625	\$ 0.0125
Transition Period (August 1, 2019 – December 31, 2019)	\$ 0.14	\$ 0.0125

Record Holders

As of December 31, 2019, an aggregate of 39,491,400 shares of our Common Stock were issued and outstanding and were owned by approximately 170 holders of record, based on information provided by our transfer agent.

Recent Sales of Unregistered Securities

None.

Re-Purchase of Equity Securities

None.

Dividends

We have never declared or paid any cash dividends on our common stock. We currently intend to retain future earnings, if any, to finance the expansion of our business. As a result, we do not anticipate paying any cash dividends in the foreseeable future.

Securities Authorized for Issuance Under Equity Compensation Plans

None.

ITEM 6. SELECTED FINANCIAL DATA

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 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

This Annual Financial Report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These forward-looking statements are not historical facts but rather are based on current expectations, estimates and projections. We may use words such as "anticipate," "expect," "intend," "plan," "believe," "foresee," "estimate" and variations of these words and similar expressions to identify forward-looking statements. These statements are not guarantees of future performance and are subject to certain risks, uncertainties and other factors, some of which are beyond our control, are difficult to predict and could cause actual results to differ materially from those expressed or forecasted. You should read this report 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.

RESULTS OF OPERATIONS

The following information represents our results of operations for the five months ended December 31, 2019 compared to the five months ended December 31, 2018.

Five Months Ended December 31, 2019 compared to Five Months Ended December 31, 2018

Increase/(Decrease)	December 31, 2019	December 31, 2018 (Unaudited)	2019 vs. 2018	
			\$	%
Operating expenses:				
Personnel expenses, related party	\$ 60,270	\$ 24,623	\$ 35,647	145%
Stock-based compensation	3,400	-	3,400	100%
General and administrative expenses, related party	6,955	5,284	1,671	32%
General and administrative expenses	144,562	43,278	101,284	234%
Outsource consulting fees	50,000	-	68,000	100%
Total operating expenses	265,187	73,185	192,002	262%
Net operating loss	(265,187)	(73,185)	(190,002)	262%
Other income (expense):				
Interest expense, non-related party	(43,668)	(11,135)	(32,533)	292%
Forgiveness of debt	34,667	-	34,667	100%
Interest income – related party	4,997	-	4,997	100%
Other income	284	-	284	100%
Foreign currency adjustments	(935)	171	(1,106)	(647%)
Total other income (expense)	(4,655)	(10,964)	6,309	(58%)
Net income (loss)	\$ (269,842)	\$ (84,149)	\$ (184,653)	219%

Operating Expenses

Personnel expenses, related party

Personnel expenses include accrued management fees. We incurred accrued management fees in the amount of \$60,270 for the five months ended December 31, 2019 versus \$24,623 for the five months ended December 31, 2018. The increase of \$35,647 was related to adding to new people to key management.

Stock-based compensation

We incurred stock-based compensation expense in the amount of \$3,400 for the five months ended December 31, 2019. During the five months ended December 31, 2019, the Company issued an aggregate 450,000 options to purchase common stock to directors and consultants valued at \$3,400. We did not have any stock-based compensation for the five months ended December 31, 2018.

General and administrative expenses, related party

General and administrative expenses include all related party costs associated with rent, internet, network and website maintenance. We incurred general and administrative expenses, related party of \$6,955 for the five months ended December 31, 2019 versus \$5,284 for the five months ended December 31, 2018.

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 \$155,522 for the five months ended December 31, 2019 versus \$43,278 for the five months ended December 31, 2018. The increase of \$112,244 was primarily related to increased legal, accounting and travel expenses due to increasing activity in our operations.

Other Income (Expense)

Interest expense – non-related parties

We incurred interest expense from non-related parties in the amount of \$43,668 for the five months ended December 31, 2019 versus \$11,135 for the five months ended December 31, 2018. The increase of \$32,533 was due to \$1,304,000 of new notes issued.

Gain on forgiveness of debt

During the five months ended December 31, 2019 non-related parties agreed to forgive \$34,667 of their convertible note debt to the Company consisting of \$25,000 principal and \$9,667 in accrued interest. The company recorded \$34,667 as gain on forgiveness of debt related to this transaction.

Net Income (Losses)

For the five months ended December 31, 2019, the Company had a net loss of \$268,802 compared to a net loss of \$84,149 for the five months ended December 31, 2018. The increased net loss was due to increasing activity in our operations.

The following information represents our results of operations for the twelve months ended July 31, 2019 and twelve months ended July 31, 2018.

Twelve Months Ended July 31, 2019 compared to Twelve Months Ended July 31, 2018

Increase/(Decrease)	2019 vs. 2018			
	2019	2018	\$	%
Operating expenses:				
Personnel expenses, related party	\$ 62,295	\$ 59,498	\$ 2,797	5%
Stock-based compensation	-	1,194,970	(1,194,970)	(100%)
General and administrative expenses, related party	12,446	28,598	(16,152)	(56%)
General and administrative expenses	110,463	40,028	70,435	176%
Total operating expenses	185,204	1,323,094	(1,137,890)	(86%)
Net operating loss	(185,204)	(1,323,094)	1,137,890	(86%)
Other income (expense):				
Interest expense, related party	-	(82,574)	82,574	(100%)
Interest expense, non-related party	(85,198)	-	(85,198)	100%
Forgiveness of debt	739,130	-	739,130	100%
Other income	2,953	6,100	(3,147)	(52%)
Foreign currency adjustments	266	9,838	(9,572)	(97%)
Total other income (expense)	657,151	(66,636)	721,138	(1086%)
Net income (loss)	\$ 471,947	\$ (1,389,730)	\$ 1,867,677	(134%)

Operating Expenses

Personnel expenses, related party

Personnel expenses include accrued management fees. We incurred accrued management fees in the amount of \$62,295 for the twelve months ended July 31, 2019 versus \$59,498 for the twelve months ended July 31, 2018.

Stock-based compensation

We did not have any stock-based compensation for the twelve months ended July 31, 2019. We incurred stock-based compensation expense in the amount of \$1,194,970 for the twelve months ended July 31, 2018. During the twelve months ended July 31, 2018, the Company issued an aggregate 4,900,000 options to purchase common stock to directors and consultants valued at \$1,194,970.

General and administrative expenses, related party

General and administrative expenses include all related party costs associated with rent, internet, network and website maintenance. We incurred general and administrative expenses, related party of \$12,446 for the twelve months ended July 31, 2019 versus \$28,598 for the twelve months ended July 31, 2018.

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 \$110,463 for the twelve months ended July 31, 2019 versus \$40,028 for the twelve months ended July 31, 2018. The increase of \$70,435 was primarily related to increased legal, accounting and travel expenses due to increasing activity in our operations.

Other Income (Expense)

Interest expense – related parties

We incurred interest expense from related parties in the amount of \$0 for the twelve months ended July 31, 2019 versus \$82,574 for the twelve months ended July 31, 2018. The decrease of \$82,574 was due to debt principal on the books being forgiven in total.

Interest expense – non-related parties

We incurred interest expense from non-related parties in the amount of \$85,198 for the twelve months ended July 31, 2019 versus \$0 for the year end twelve months ended ed July 31, 2018.

Gain on forgiveness of debt

During the twelve months 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 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. Additionally, non-related parties provided \$2,000 to the company for capital and agreed to forgive the \$2,000.

Net Income (Losses)

For the twelve months ended July 31, 2019, the Company had net income of \$471,947 and for the twelve months ended July 31, 2018 the Company had a net loss of \$1,389,730, respectively.

Current Liquidity and Capital Resources for the Twelve Months Ended July 31, 2019 compared to Twelve Months Ended July 31, 2018

	2019	2018
Summary of Cash Flows:		
Net cash (used) in operating activities	\$ (294,659)	\$ (92,227)
Net cash (used) in investing activities	(161,244)	(4,845)
Net cash provided by financing activities	1,200,000	304,000
Net increase in cash and cash equivalents	<u>744,097</u>	<u>206,928</u>
Beginning cash and cash equivalents	207,410	482
Ending cash and cash equivalents	<u>\$ 951,507</u>	<u>\$ 207,410</u>

Operating Activities

Cash used in operations of \$294,659 during the twelve months ended July 31, 2019 was primarily a result of our \$471,947 in net income reconciled with our net non-cash expenses relating to depreciation expense, inventory, foreign currency adjustments, stock-based compensation, accounts payable and accrued liabilities. Cash used in operations of \$92,227 during the twelve months ended July 31, 2018 was primarily a result of our \$1,389,730 net loss reconciled with our net non-cash expenses relating to depreciation, interest expense stock issued for services, accounts payable and accrued liabilities.

Investing Activities

Net cash used in investing activities for the twelve months July 31, 2019 was \$161,244 versus \$4,845 for the twelve months ended July 31, 2018. During the twelve months ended July 31, 2019 the Company issued a note receivable in the amount of \$150,000.

Financing Activities

Net cash provided by financing activities was \$1,200,000 for the twelve months July 31, 2019 versus \$304,000 for the twelve months July 31, 2018. The net cash provided by financing activities for the twelve months ended July 31, 2019 included \$1,000,000 from proceeds from the issuance of notes payable and \$200,000 from proceeds from the issuance of future subscriptions. The net cash provided by financing activities for the twelve months ended July 31, 2018 included \$304,000 from proceeds from the issuance of notes payable.

Future Capital Requirements

Our current available cash and cash equivalents are insufficient to satisfy our liquidity requirements. Our capital requirements for 2020 will depend on numerous factors, including management’s evaluation of the timing of projects to pursue. Subject to our ability to generate revenues and cash flow from operations and our ability to raise additional capital (including through possible joint ventures and/or

partnerships), we expect to incur substantial expenditures to carry out our business plan, as well as costs associated with our capital raising efforts and being a public company.

Subject to receiving a full revocation of the Cease Trade Order (CTO) by the Canadian regulators Alberta Securities Commission (ASC) and the British Columbia Securities Commission (BCSC), our plans to finance our operations include seeking equity financing. Other means include debt financing, alliances or other partnership agreements, or other business transactions, that would generate sufficient resources to ensure continuation of our operations.

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

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

Subject to receiving a full revocation of the Cease Trade Order (CTO) by the Canadian regulators Alberta Securities Commission (ASC) and the British Columbia Securities Commission (BCSC), we will continue to rely on equity sales of our common shares in order to continue to fund our business operations. Issuances of additional shares will result in dilution to existing stockholders. There is no assurance that we will achieve any additional sales of the equity securities or arrange for debt or other financing to fund planned acquisitions and exploration activities.

Critical Accounting Policies

We have identified certain accounting policies, described below, that are most important to the portrayal of our current financial condition and results of operations. Our significant accounting policies are disclosed in the notes to the audited financial statements included in this 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 7A. 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 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Perpetual Industries, Inc.

Financial Statements

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Perpetual Industries, Inc.

Opinion on the Financial Statements

We have audited the accompanying balance sheets of Perpetual Industries, Inc. (“the Company”), as of December 31, 2019, July 31, 2019 and 2018, and the related statements of operations and comprehensive loss, changes in stockholders’ deficit and cash flows for the five months ended December 31, 2019, each of the two years ended July 31, 2019 and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019, July 31, 2019 and July 31, 2018, and the results of its operations and its cash flows for the five months ended December 31, 2019 and each of the two years in the period ended July 31, 2019, in conformity with U.S generally accepted accounting principles.

Basis for Opinion

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

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

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

Emphasis of a Matter

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As described in Note 12 to the financial statements, the Company has limited operations and has yet to attain profitability. This raises substantial doubt about its ability to continue as a going concern. Management’s plans regarding these matters are also described in Note 12. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Thayer O’Neal Company, LLC

Thayer O’Neal Company, LLC
We have served as the Company’s auditor since 2018
Sugar Land, Texas
March 30, 2020

PERPETUAL INDUSTRIES, INC.
Balance Sheets

	<u>December 31,</u>	<u>July 31,</u>	
	<u>2019</u>	<u>2019</u>	<u>2018</u>
ASSETS			
Current assets			
Cash	\$ 624,547	\$ 951,507	\$ 207,410
Total current assets	<u>624,547</u>	<u>951,507</u>	<u>207,410</u>
Fixed assets	84,130	84,130	72,886
Accumulated depreciation	(65,714)	(63,329)	(59,593)
	<u>18,416</u>	<u>20,801</u>	<u>13,293</u>
Note receivable and accrued interest, related party	155,951	150,953	0
Total non-current assets	<u>174,367</u>	<u>171,754</u>	<u>13,293</u>
Total assets	<u>\$ 798,914</u>	<u>\$ 1,123,261</u>	<u>\$ 220,703</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	117,919	109,587	126,685
Accrued legal fees	126,040	128,948	125,000
Accounts payable and accrued expenses - related party	108,048	166,002	280,577
Convertible notes payable and accrued interest	12,100	58,166	723,255
Other current liabilities	-	-	4,000
Total current liabilities	<u>364,107</u>	<u>462,703</u>	<u>1,259,517</u>
Non-current liabilities:			
Notes payable and accrued interest	1,389,438	1,346,105	305,447
Total liabilities	<u>1,753,545</u>	<u>1,808,808</u>	<u>1,564,964</u>
Commitments and contingencies (Note 13)			
STOCKHOLDERS' DEFICIT			
Common stock, \$0.001 par value; 100,000,000 shares authorized 39,491,400, 35,491,400 and 35,491,400 issued and outstanding at December 31, 2019, July 31, 2019 and July 31, 2018, respectively	39,491	35,491	35,491
Additional paid in capital	10,176,838	10,177,438	9,975,438
Other accumulated comprehensive loss	(17,875)	(15,233)	-
Accumulated deficit	(11,153,085)	(10,883,243)	(11,355,190)
Total stockholders' deficit	<u>(954,631)</u>	<u>(685,547)</u>	<u>(1,344,261)</u>
Total liabilities and stockholders' deficit	<u>\$ 798,914</u>	<u>\$ 1,123,261</u>	<u>\$ 220,703</u>

The accompanying notes are an integral part of these financial statements

PERPETUAL INDUSTRIES, INC.
Statements of Operations and Comprehensive Loss

	Five Months Ended	Twelve Months Ended	
	December 31,	July 31,	
	2019	2019	2018
Service revenue	\$ -	\$ -	\$ -
Operating expenses			
Management service, related party	60,270	62,295	59,498
Stock-based compensation	3,400	0	1,194,970
General and administrative expenses, related party	6,955	12,446	28,598
General and administrative expenses	144,562	110,463	40,028
Consulting fees	50,000	-	-
Total operating expenses	<u>265,187</u>	<u>185,204</u>	<u>1,323,094</u>
Net operating loss	(265,187)	(185,204)	(1,323,094)
Other income (expense)			
Interest expense, non-related party	(43,668)	(85,198)	(82,574)
Gain on forgiveness of debt	34,667	739,130	-
Interest income - related party	4,997	-	-
Other income	284	2,953	6,100
Foreign currency adjustments	(935)	266	9,838
Total other income (expense)	<u>(4,655)</u>	<u>657,151</u>	<u>(66,636)</u>
Net income (loss)	(269,842)	471,947	(1,389,730)
Unrealized translation loss	(2,642)	(15,233)	-
Other comprehensive income (loss)	<u>\$ (272,484)</u>	<u>\$ 456,714</u>	<u>\$ (1,389,730)</u>
Basic (loss) gain per share	<u>\$ (0.01)</u>	<u>\$ 0.01</u>	<u>\$ (0.04)</u>
Basis weighted average common shares outstanding	<u>39,491,400</u>	<u>35,191,400</u>	<u>35,491,400</u>
Diluted (loss) gain per share	<u>\$ (0.00)</u>	<u>\$ 0.00</u>	<u>\$ 0.00</u>
Diluted weighted average common shares outstanding	<u>65,403,500</u>	<u>61,585,289</u>	<u>42,802,249</u>

The accompanying notes are an integral part of these financial statements

PERPETUAL INDUSTRIES INC.
Statements of Stockholders' Deficit

	<u>Common Stock</u>		Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Shareholders' Equity (Deficit)
	<u>Shares</u>	<u>Amount</u>				
Balances, July 31, 2017	35,491,400	\$ 35,491	\$ 6,729,002	\$ 0	\$ (9,965,461)	\$ (3,200,968)
Issuance of warrants in exchange for related party debt forgiveness			1,336,842			1,336,842
Related party debt forgiveness			714,623			714,623
Stock options			1,194,971			1,194,971
Net loss for the twelve months ended July 31, 2018				0	(1,389,730)	(1,389,730)
Balances, July 31, 2018	35,491,400	\$ 35,491	\$ 9,975,438	\$ 0	\$ (11,355,191)	\$ (1,344,262)
Issuance of common stock for cash			200,000			200,000
Shareholder contribution			2,000			2,000
Net loss for the twelve months ended July 31, 2019				(15,233)	471,947	456,714
Balances, July 31, 2019	35,491,400	\$ 35,491	\$ 10,177,438	\$ (15,233)	\$ (10,883,244)	\$ (685,548)
Issuance of common stock for cash	4,000,000	4,000	(4,000)			0
Stock options			3,400			3,400
Net loss for the five months ended December 31, 2019				(2,642)	(269,842)	(272,484)
Balances, December 31, 2019	<u>39,491,400</u>	<u>\$ 39,491</u>	<u>\$ 10,176,838</u>	<u>\$ (17,875)</u>	<u>\$ (11,153,086)</u>	<u>\$ (954,632)</u>

The accompanying notes are an integral part of these financial statements

PERPETUAL INDUSTRIES, INC.
Statements of Cash Flows

	Five Months Ended December 31, 2019	Twelve Months Ended July 31,	
		2019	2018
Cash Flows from Operating Activities			
Net Loss	\$ (269,842)	\$ 471,947	\$ (1,389,730)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation expense	2,385	3,736	3,045
Stock-based compensation expense	3,400		1,194,970
Gain on forgiveness of debt	(34,667)	(739,130)	-
Other income	0	(2,000)	-
Interest income, related party	(4,997)	(953)	-
Changes in operating assets & liabilities			
Accounts payable	(45,052)	(125,404)	(1,837)
Accrued expenses	33,546	97,145	101,325
Net cash used in operating activities	(315,227)	(294,659)	(92,227)
Cash Flows from Investing Activities			
Issuance of note receivable	-	(150,000)	-
Purchase of equipment	-	(11,244)	(4,845)
Net cash used in investing activities	-	(161,244)	(4,845)
Cash Flows from Financing Activities			
Proceeds from the issuance of notes payable	-	1,000,000	304,000
Proceeds from the issuance of future subscriptions	-	200,000	-
Payments of convertible notes payable	(11,733)	-	-
Net cash used in financing activities	(11,733)	1,200,000	304,000
(Decrease) Increase in Cash	(326,960)	744,097	206,928
Cash at beginning of period	951,507	207,410	482
Cash at end of period	\$ 624,547	\$ 951,507	\$ 207,410
Supplemental Cash Flow Information			
Cash paid for interest	\$ 1,733	\$ -	\$ -
Cash paid for income taxes	\$ -	\$ -	\$ -

The accompanying notes are an integral part of these financial statements

PERPETUAL INDUSTRIES, INC.
NOTES TO
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.

Our business is in research and development and the commercialization of new and innovative energy efficient products.

Current research and development efforts are underway for the creation of our proprietary Green Energy Mining (GEM) System. Incorporation of Masternodes, Proof of Stake, Proof of Work, and DApps are all part of our GEM System. Our goal is to significantly reduce the cost of power consumed by miners in the fast emerging global Blockchain and Crypto mining industry.

The company is currently optimizing a new and innovative design of a wind turbine called the “WindSilo” utilizing the company’s proprietary XYO Mechanical Balancing Technology. The wind turbine under development offers numerous benefits and advantages for both grid tied and off grid applications.

Perpetual continues to include The XYO Technology in its business plan to be executed in four key categories:

- a) Prototype evaluation projects and commercialization of XYO implementations.
- b) Integration with the GEM Mining System.
- c) Creation of an XYO enhanced Washing Machine.
- d) Optimization of a wind turbine utilizing the XYO Technology.

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.

On March 4, 2020, the board of directors of the Company approved a change of the Company’s financial year end from July 31 to December 31. This transition report is for the five-month transition period of August 1, 2019 through December 31, 2019.

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 was \$2,385 for the five months ended December 31, 2019 and \$3,736 and \$3,045 for the twelve months ended July 31, 2019 and 2018, respectively.

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 December, 31, 2019, July 31, 2019 and July 31, 2018 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 five months ended December 31, 2019 and the twelve months ended July 31, 2019 and 2018, the Company had a foreign currency transaction loss of \$935, gain of \$266 and gain of \$9,838, respectively. Translation gain or loss is included in other comprehensive 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, 2018, 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, on October 1, 2019, the Company entered into a lease agreement for office space located in Auburn, Indiana. The term of the lease is for a period of two years commencing on January 1, 2020 and ending on December 31, 2021

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 December 31, 2019, July 31, 2019 and July 31, 2018:

	December 31, 2019	July 31, 2019	July 31, 2018
Computer hardware	\$ 33,862	\$ 33,862	\$ 33,862
Trailer	23,244	23,244	12,000
Computer software	17,288	17,288	17,288
Computers and peripherals	9,736	9,736	9,736
	<u>84,130</u>	<u>84,130</u>	<u>72,886</u>
Less: Accumulated depreciation	(65,714)	(63,329)	(59,593)
Equipment - net	<u>\$ 18,416</u>	<u>\$ 20,801</u>	<u>\$ 13,293</u>

Depreciation expense was \$2,385 for the five months ended December 31, 2019 and \$3,736 and \$3,045 for the twelve months ended July 31, 2019 and 2018, respectively.

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 July 3, 2021. Interest receivable was \$5,951, \$953 and \$0 as of December 31, 2019, July 31, 2019 and July 31, 2018, respectively. The Company recorded interest income in the amount of \$4,998 for the five months ended December 31, 2019 and \$953 and \$0 for the twelve months ended July 31, 2019 and 2018, respectively.

4. Accrued expenses

Accrued expenses as of December 31, 2019, July 31, 2019 and July 31, 2018, consisted of the following:

	December 31, 2019	July 31, 2019	July 31, 2018
Accrued interest	\$ 15,621	\$ 15,621	\$ 15,621
Accrued legal fees	126,040	128,948	125,000
Accrued audit fees	59,067	67,067	59,067
Total	<u>\$ 200,728</u>	<u>\$ 211,636</u>	<u>\$ 199,688</u>

5. Convertible notes

As of December 31, 2019, July 31, 2019 and July 31, 2018, the total amounts outstanding with respect to the Convertible Notes was:

	<u>December 31,</u> <u>2019</u>	<u>July 31,</u> <u>2019</u>	<u>July 31,</u> <u>2018</u>
Convertible principal	\$ 10,000	\$ 45,000	\$ 556,751
Convertible accrued interest	2,100	13,166	166,504
Total amount due	<u>\$ 12,100</u>	<u>\$ 58,166</u>	<u>\$ 723,255</u>

On August 1, 2019 the Company settled a convertible note balance in cash totaling \$11,733 which included \$10,000 principal and \$1,733 in interest. On October 31, 2019 a convertible note balance totaling \$34,667 was forgiven which included \$25,000 principal and \$9,667 in interest. During the five months ended December 31, 2019 the Company recorded \$34,667 as a gain on forgiveness of debt. Interest expense of \$333 was incurred in connection with the convertible notes during the five months ended December 31, 2019.

In July 2019, non-related parties agreed to forgive \$709,628 of their convertible note debt to the Company consisting of \$511,751 in convertible debt principal plus accrued interest of \$197,877.

On October 31, 2017 related parties 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.

6. Other current liabilities

During the twelve months ended July 31, 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 \$39,447, \$29,447 and \$5,447 as of December 31, 2019, July 31, 2019 and July 31 2018, respectively. For the five months ended December 31, 2019, the Company recorded \$10,000 in interest expense and for the twelve months ended July 31, 2019 and 2018, the Company recorded \$24,000 and \$5,447 in interest expense, respectively.

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 \$9,930 and \$6,597 as of December 31, 2019 and July 31, 2019, respectively. For the five months ended December 31, 2019, the Company recorded \$3,333 in interest expense and for the twelve months ended July 31, 2019, the Company recorded \$6,597 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 \$13,353 and \$3,353 as of December 31, 2019 and July 31, 2019, respectively. For the five months ended December 31, 2019, the Company recorded \$10,000 in interest expense and for the twelve months ended July 31, 2019, the Company recorded \$3,353 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 \$26,707 and \$6,707 as of December 31, 2019 and July 31, 2019, respectively. For the five months ended December 31, 2019, the Company recorded \$20,000 in interest expense and for the twelve months ended July 31, 2019, the Company recorded \$6,707 in interest expense.

8. Lease obligation

Total rent expense for five months ended December 31, 2019 was \$6,166 and for the twelve months ended July 31, 2019 and 2018, was \$11,495 and \$7,976, respectively. The rental is on a month to month basis.

9. Related party transactions and commitments

Management Service

During the five months ended December 31, 2019 and twelve months ended July 31, 2019 and July 31, 2018, the Company accrued management fees owed to Brent Bedford, the Company's Chairman, President and CEO in the amount of \$30,270, \$62,295 and \$59,497, 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 management service, related party.

During the five months ended December 31, 2019, the Company paid management fees to Trip Thomas, the Company's CFO in the amount of \$12,000. 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 five months ended December 31, 2019, the Company paid management fees to Carl Dilley, the Company's COO in the amount of \$18,000. Carl Dilley has an oral agreement under which he provides management services through two private entities that he owns. The expenses are classified in the statement of operations as management service, related party.

General and Administrative Expenses

During the five months ended December 31, 2019 and twelve months ended July 31, 2019 and July 31, 2018, general and administrative expense from related parties amounted to \$6,955, \$12,446 and \$9,847, respectively. During the five months ended December 31, 2019 and twelve months ended July 31, 2019 and July 31, 2018, Brent Bedford, Chairman, President and CEO, provided office space, storage, and internet services to the Company totaling \$6,166, \$11,495 and \$7,976, respectively. During the five months ended December 31, 2019 and twelve months ended July 31, 2019 and July 31, 2018, the Company obtained network and website maintenance services from a related party for \$789, \$951 and \$986 respectively. The owner of the entity is a small shareholder of the Company and a relative of the Company's president. The Company owed this small shareholder \$3,157, \$3,405 and \$1,227 at December 31, 2019, July 31, 2019, and July 31, 2018, respectively.

	Five Months Ended		Twelve Months Ended	
	December 31, 2019	July 31, 2019	July 31, 2018	
Management services – related party	\$ 60,270	\$ 62,295	\$ 59,499	
Royalties and License Fees Pertaining to Exclusive Rights, excluding interest which appears under Other Income (Expense)	-	-	18,750	
General and Administrative Expenses:				
Rent	6,166	11,495	7,976	
Internet	-	-	885	
Network and website maintenance	789	951	986	
	<u>6,955</u>	<u>12,446</u>	<u>9,847</u>	
Total Related Party Expenses	<u>\$ 67,225</u>	<u>\$ 74,741</u>	<u>\$ 88,096</u>	

10. Equity

Common Stock

At December 31, 2019, July 31, 2019 and July 31, 2018, the total number of shares of the Company's common stock that were issued and outstanding was 39,491,400, 35,491,400 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 period 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. Options to purchase an aggregate 450,000 shares of common stock were granted to consultants on October 31, 2019. 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 \$3,400 in non-cash expenses associated with these stock options at the time of issuance. The Company valued these options using the black scholes model.

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, July 31, 2019, and July 31, 2018, the Company had options outstanding to purchase a total of 5,350,000 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).

At December 31, 2019, options outstanding were:

<u>Optionee</u>	<u>Relationship to the Company</u>	<u>Options Granted</u>
Brent Bedford	President, Chairman and CEO	1,000,000
Carl Dilley	Director and COO	500,000
Trip Thomas	CFO	300,000
	Subtotal, Executive Officers (as defined in Rule 501(f) of Reg D)	1,800,000
Craig Dansereau	Director	500,000
Rod Egan	Director	500,000
Thomas Ristow	Director	500,000
All Others	Consultants and/or independent contractors	2,050,000
	Subtotal, Non- Executive Officers	3,550,000
	Total	<u>5,350,000</u>

Warrants

As of December 31, 2019, the Company had 21,000,000 warrants outstanding.

The following table represents warrant activity as of and for the five months ended December 31, 2019:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
Warrants Outstanding – July 31, 2018	-	\$ -	-	\$ -
Issued	21,000,000			-
Exercised	-			-
Expired	-			-
Warrants Outstanding – July 31, 2019	21,000,000	\$ 0.01	4.0 years	\$ -
Issued	21,000,000			-
Exercised	-			-
Expired	-			-
Warrants Outstanding – December 31, 2019	21,000,000	\$ 0.01	4.0 years	\$ -
Outstanding Exercisable – December 31, 2019	21,000,000	\$ 0.01	4.0 years	\$ -

The warrants to purchase 21,000,000 shares of common stock were issued to related parties in exchange for forgiving \$2,040,899 in Company debt during the twelve months ended July 31, 2018.

11. Income taxes

The Company has not filed U.S. or Canadian income tax returns since its inception, as it has incurred continual losses since that time. The principles used for determining income and deductions to be recognized for income tax purposes will differ from those used in the determination of income and expenses for financial reporting purposes. Potential benefits of income tax losses are not recognized in the accounts until realization is more likely than not. The Company computes tax asset benefits for net operating losses carried forward. Potential benefit of net operating losses have not been recognized in these financial statements because the Company cannot be assured it is more likely than not it will utilize the net operating losses carried forward in future years. The net operating loss can be carried forward indefinitely.

The components of the net deferred tax asset (liability) at December 31, 2019, July 31, 2019 and, 2018 and the statutory tax rate, the effective tax rate and the elected amount of the valuation allowance are indicated below:

	December 31, 2019	July 31, 2019	July 31, 2018
Net operating loss carry-forward	\$ 11,152,046	\$ 10,883,243	\$ 11,355,190
Compensation from shared-based payment	3,400	-	1,194,970
Valuation Allowance	(11,155,446)	(10,883,243)	(12,550,160)
Net Deferred Tax Asset (Liability)	\$ -	\$ -	\$ -

Income tax benefit resulting from applying statutory rates in jurisdictions in which we are taxed (Federal and State of Florida) differs from the income tax provision (benefit) in our financial statements. The following table reflects the reconciliation for the five months ended December 31, 2019 and twelve months ended July 31, 2019 and 2018:

	Five Months Ended December 31, 2019	Twelve Months Ended July 31, 2019	Twelve Months Ended July 31, 2018
Benefit at federal and statutory rate	(21)%	(21)%	(21)%
Change in valuation allowance	21%	21%	21%
Effective tax rate	0%	0%	0%

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 December 31, 2019, July 31, 2019 and July 31, 2018, the Company had \$624,547, \$951,507 and \$207,410 in cash and \$261,479, \$488,804 in working capital and \$1,052,107 in negative working capital, respectively. For the five months ended December 31, 2019 the Company had a net loss of \$268,802. For the twelve months ended July 31, 2019, the Company had net income of \$471,947 and for the twelve months ended July 31, 2018 the Company had a net loss of \$1,389,730, 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

Lease

On October 1, 2019, the Company entered into a lease agreement for office space located in Auburn, Indiana. The term of the lease is for a period of two years commencing on January 1, 2020 and ending on December 31, 2021. The rent is \$3,500 per month. The Company will account for the lease under ASC 842 whereby the operating lease right-of-use assets and liabilities are recognized at the present value of the future lease payments at the lease commencement date.

15. Five Months Ending December 31, 2018 Comparative Data (Unaudited)

The condensed consolidated statement of income for the five months ended December 31, 2018 is as follows:

	Five Months Ended December 31, 2018
	(Unaudited)
Operating expenses:	
Personnel expenses, related party	\$ 24,623
General and administrative expenses, related party	5,284
General and administrative expenses	43,278
Total operating expenses	<u>73,185</u>
Net operating loss	<u>(73,185)</u>
Other income (expense):	
Interest expense, non-related party	(11,135)
Foreign currency adjustments	171
Total other income (expense)	<u>(10,964)</u>
Net income (loss)	<u>\$ (84,149)</u>

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

Our management is responsible for establishing and maintaining a system of disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act) that is designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer's management, including its principal executive officer or officers and principal financial officer or officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

An evaluation was conducted under the supervision and with the participation of our management of the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2019. Based on that evaluation, our management concluded that our disclosure controls and procedures were not effective as of such date to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms as a result of the following material weaknesses:

The specific material weakness identified by our management was ineffective controls over certain aspects of the financial reporting process because of a lack of a sufficient complement of personnel with a level of accounting expertise and an adequate supervisory review structure that is commensurate with our financial reporting requirements and inadequate segregation of duties. A "material weakness" is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements would not be prevented or detected on a timely basis.

We expect to be materially dependent upon a third party to provide us with accounting consulting services for the foreseeable future. Until such time as we have a chief financial officer with the requisite expertise in U.S. GAAP, there are no assurances that the material weaknesses in our disclosure controls and procedures and internal control over financial reporting will not result in errors in our financial statements which could lead to a restatement of those financial statements.

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 five months ended December 31, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION.

None.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS.

Identification of Directors and Executive Officers

The following table sets forth the names and ages of our current director(s) and executive officer(s)

Name	Age	Position
Brent Bedford	52	CEO, President & Chairman of the board
Carl Dilley	63	COO, Director
William Griffin Thomas	44	CFO
Rod Egan	52	Director
Thomas Ristow	51	Director
Craig Dansereau	39	Director

Term of Office

Each of our directors is appointed to hold office until the next annual meeting of our stockholders or until his respective successor is elected and qualified, or until he resigns or is removed in accordance with the provisions of the Nevada General Corporate Law. Our officers are appointed by our Board of Directors and hold office until removed by the Board or until their resignation

Background and Business Experience

Brent Bedford – Chairman, President and CEO

Brent W. Bedford founded the Company in January 2005 and has served continuously as Chairman, President, and CEO. Since January 2006 he has been President of Pulseman Inc., a management services company. Since July 2012 he has been a Director of Shabu Shabu Shack Inc., and since October 2012, he has been a Director of Graffiti Group Inc., an importer of alcoholic beverages and other goods. All of his time is spent on Perpetual, except that up to a total of 20 hours per quarter is spent on the aforementioned directorships. Among his earlier accomplishments, he founded the independent music label Inferno Records and the international licensing, marketing, and distribution company One Tree Hill International Traders. Through One Tree Hill he obtained some of the first marketing and distribution rights to products based on television's "The Simpsons", and also marketed the U.K.'s patented "Qwicksilver" tarnish removal system through the development and creation of over 200 independent distributors in North America. Qualifications as Director: As a member of the board, Mr. Bedford contributes his knowledge of the company and a deep understanding of all aspects of our business, products and markets, as well as substantial experience developing corporate strategy, assessing emerging industry trends, and carrying out business operations. He has a strong background in mechanical applications, and expertise in finance, private and public company startups, and corporate turnarounds.

Carl Dilley – COO, Director

Carl Dilley was appointed to the Company's Board of Directors, effective May 26, 2015. Mr. Dilley has been a career entrepreneur serving as a C-level officer in many different companies and industries. With key roles at Spartan Securities and Island Stock Transfer, Mr. Dilley has been instrumental in taking over 400 companies public. He is currently a managing partner of Endeavour Cooperative Partners, which owns a group of financial services and other companies including: Island Capital Management, LLC, Spartan Securities Group, Ltd., Proxy and Printing LLC., Endeavour Insurance Partners and Pioneer Recycling LLC. He has served as president of Island Stock Transfer, a division of Island Capital Management, LLC from 2003 to present and currently acts as senior executive officer responsible for oversight of the day to day operations. Mr. Dilley having been involved in the investment industry since 1983, holds FINRA series 24, 66, and 7 Securities licenses to perform retail, investment banking and new listing services functions for Spartan, where he served as managing partner until January 2015, when he recently stepped down to assume the role as President of Pioneer Recycling. He is a co-founder of Endurance Exploration Group, LLC. and has served as a Director and Chief Operating Officer of Endurance Exploration Group, Inc. (stock symbol: EXPL) since going public in January 2013. He is also a Director of Wrapmail, Inc. (stock symbol: WRAP) and controlling shareholder, Chairman and President of Vacation Travel Corp. As a member of the board, Mr. Dilley will focus on identifying strategic joint venture partnerships and potential mergers and acquisitions that can help Perpetual commercialize the XYO Technology in various industries and applications.

William Griffin Thomas (Trip), CPA – CFO

Trip Thomas is the President and Founder of A-Frame Accounting & Advisory, Inc. located in Tampa, Florida. Trip has more than 19 years of experience in the field of accounting. His experience includes private industry, public company, public accounting and non-profit. Some of his experience includes auditing, budget analysis, fixed assets, financial modeling, SEC financial reporting, GAAP compliance and fair value measurements. Additionally, Trip has experience in providing bookkeeping and tax services to clients.

Before founding A-Frame, Trip spent five years as a partner with Cross Roads Consulting, LLC, a boutique consulting practice, located in Tampa, Florida. At Cross Roads he assisted clients in the areas of (i) Regulatory financial reporting, (ii) GAAP and IFRS compliance and (iii) technical accounting support. Prior to working for Cross Roads, Trip worked as a Senior Accountant for The LSC Group LLC, a licensed CPA firm, located in Tampa, Florida. At The LSC Group, he specialized in the identification and valuation of derivatives arising from PIPE (Private Investment in a Public Entity) transactions. Prior to working for The LSC Group, Trip worked as an accountant for a diverse range of organizations, including a Tampa real estate developer, the American Heart Association (a non-profit organization) and MetLife (a fortune five hundred corporation).

Trip holds a Bachelor of Science in Accounting from the University of Tampa and a Bachelor of Science in Agribusiness from the University of Florida. He is a licensed CPA in the State of Florida.

Craig Dansereau – Director

Craig Dansereau is a well-respected business professional and entrepreneur for over 18 years, Craig has founded and successfully operated a number of private companies ranging from consulting to construction equipment rental in the fields of construction and Oil & Gas regulatory compliance. Mr. Dansereau studied Petroleum Engineering (SAIT), Environmental Management (University of Calgary) and Project Management (Mount Royal University) and plays an instrumental management role at Perpetual in designing, building, customizing and operating the Green Energy Mining (GEM) Systems.

Rod Egan – Director

Rod Egan has served as a Director since August 2005. From September 2007 to date, he has been Owner, Director of RIJ Holdings, LLC, a personal holding company. From October 2005 to date, he has been Owner, Managing Partner of The Worldwide Group, LLC which runs collector automobile auctions. From July 2005 to date, he has been Owner, Director, and President of Cinch Ventures Ltd., a management and promotion company. From September 2004 to December 2009, he was Owner, Director of Asset Solutions International, LLC, a holding company. From October 2005 to February 2007, he was Owner, Director of Automax, LLC, a retail automobile sales firm. He holds state auctioneer licenses in Texas, Indiana, and Florida. **Qualifications as Director:** As a member of the board, Mr. Egan contributes the benefits of his executive leadership and management experience, in particular with regard to running startup companies and negotiating purchase and sale agreements. An elite collector car auctioneer specializing in the valuation of fine automobiles, he oversees corporate operations at The Worldwide Group, LLC, where he has demonstrated his appraisal and sales abilities (his sales history totals over \$3 billion, privately and through auction) and helped to close some of the largest private car collection sales in North America in recent years.

Thomas Ristow – Director

Thomas Ristow has served as a Director since August 2005. From April 2005 to date, he has been Sales Manager for Sekisui Chemical GmbH, a chemical products company. At ETI Technologies Inc., the intellectual property licensing firm which is now the licensor of the XYO technology, he served from 1993 through 2005, as European Sales Representative from 1993 to 1996, European Marketing Manager from 1996 to 2001, and European Business Development Manager 2001 to 2005. He received a Diplom-Kaufmann in 1999 from the University of Cologne, Germany. **Qualifications as Director:** As a member of the board, Mr. Ristow contributes significant industry-specific experience and expertise on our products and services. He has significant knowledge and experience in the European marketplace.

Family Relationships

There are no family relationships between our officers and directors.

Legal Proceedings

Except as set forth above, no officer, director, or persons nominated for such positions, promoter or significant employee has been involved in the last ten years in any of the following:

- Any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time,
- Any conviction in a criminal proceeding or being subject to a pending criminal proceeding (excluding traffic violations and other minor offenses),
- Being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities,
- Being found by a court of competent jurisdiction (in a civil action), the Commission or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended, or vacated.
- Having any government agency, administrative agency, or administrative court impose an administrative finding, order, decree, or sanction against them as a result of their involvement in any type of business, securities, or banking activity.
- Being the subject of a pending administrative proceeding related to their involvement in any type of business, securities, or banking activity.
Having any administrative proceeding been threatened against you related to their involvement in any type of business, securities, or banking activity.

Audit Committee and Audit Committee Financial Expert

The Company has a separately designated standing audit committee comprised of Chairman, President and CEO Brent Bedford and Directors Rod Egan and Thomas Ristow. The Board of Directors has determined that the Company has two audit committee financial experts serving on its audit committee: Rod Egan and Thomas Ristow, who are independent from the management of the Company.

Code of Ethics

The Company has not adopted a code of ethics that applies to its officers, because of the Company's highly streamlined organizational structure and to minimize compliance administration.

Nominating Committee

The nominating committee does not have a policy with regard to the consideration of any director candidates recommended by security holders. In the view of the board of directors it is appropriate for the Company not to have such a policy in order to minimize compliance administration.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires our directors, executive officers, and persons who beneficially own more than ten percent of a registered class of our equity securities to file with the SEC initial reports of ownership and reports of change in ownership of common stock and other equity securities of the Company. Officers, directors and greater than ten percent stockholders are required by SEC regulations to furnish us with copies of all Section 16(a) forms they file. Based solely upon a review of Forms 3 and 4 and amendments thereto furnished to us under Rule 16a-3(e) during the five months ended December 31, 2019, Forms 5 and any amendments thereto furnished to us with respect to the five months ended December 31, 2019, and the representations made by the reporting persons to us, we believe that during the five months ended December 31, 2019, our executive officers and directors and all persons who own more than ten percent of a registered class of our equity securities complied with all Section 16(a) filing requirements.

ITEM 11. EXECUTIVE COMPENSATION

The table below summarizes all compensation awarded to, earned by, or paid to our Principal Executive Officer for all services rendered in all capacities to us for the five months ended December 31, 2019 and twelve months ended July 31, 2019 and 2018, respectively.

Name and Position	Period	Salary (\$)	Bonuses (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total
Brent Bedford, Chairman and CEO	7/31/2018	\$ 59,499	\$ -	\$ -	\$ 7,300	\$ -	\$ -	\$ -	\$ 66,799
	7/31/2019	\$ 62,295	\$ -	\$ -	\$ 0	\$ -	\$ -	\$ -	\$ 62,295
	12/31/2019	\$ 30,270	\$ -	\$ -	\$ 0	\$ -	\$ -	\$ -	\$ 30,270
Trip Thomas, CFO	12/31/2019	\$ 12,000	\$ -	\$ -	\$ 2,267	\$ -	\$ -	\$ -	\$ 14,267
Carl Dilley, COO	12/31/2019	\$ 18,000	\$ -	\$ -	\$ 0	\$ -	\$ -	\$ -	\$ 18,000

Summary Equity Awards Table

The following table sets forth certain information for our executive officers concerning unexercised options, stock that has not vested, and equity incentive plan awards as of December 31, 2019. Outstanding Equity Awards at December 31, 2019:

Name	Brent Bedford	Carl Dilley	William Thomas
Number of Securities Underlying Unexercised Options (#) Exercisable	1,000,000	500,000	300,000
Number of Securities Underlying Unexercised Options (#) Unexercisable	0	0	0
Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	0	0	0
Option Exercise Price (\$)	\$0.10	\$0.10	\$0.10
Option Expiration Date	May 31, 2021	May 31, 2021	Oct 31, 2022
Number of Shares or Units of Stock That Have Not Vested (#)	0	0	0
Market Value of Shares or Units of Stock That Have Not Vested (\$)	\$0	\$0	\$0
Equity Incentive Plan Awards: Number Of Unearned Shares, Units or Other Rights That Have Not Vested (#)	0	0	0
Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$)	\$0	\$0	\$0

At no time during the last fiscal year with respect to any person listed in the table above was there:

- any outstanding option or other equity-based award re-priced or otherwise materially modified (such as by extension of exercise periods, the change of vesting or forfeiture conditions, the change or elimination of applicable performance criteria, or the change of the bases upon which returns are determined);
- any waiver or modification of any specified performance target, goal or condition to payout with respect to any amount included in non-stock incentive plan compensation or payouts;
- any non-equity incentive plan award made to a named executive officer;
- any nonqualified deferred compensation plans including nonqualified defined contribution plans; or
- any payment for any item to be included under All Other Compensation in the Summary Compensation Table.

Directors Compensation Table

Name	Fees earned or paid in cash (\$)	Stock awards (\$)	Option awards (\$)	Non-equity incentive plan compensation (\$)	Non-qualified deferred compensation earnings (\$)	All other compensation (\$)	Total (\$)
Rod Egan	0	0	\$7,750	0	0	0	\$7,750
Thomas Ristow	0	0	\$7,750	0	0	0	\$7,750
Craig Dansereau	0	0	\$7,750	0	0	0	\$7,750

Compensation of Directors

We have no compensation arrangements (such as fees for retainer, committee service, service as Chairman and CEO of the board or a committee, and meeting attendance) with directors.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

Security Ownership

The following table sets forth information regarding the number of shares of our common stock beneficially owned on December 31, 2019 by:

- each person who is known by us to beneficially own 5% or more of our common stock,
- each of our directors and executive officers, and
- all of our directors and executive officers as a group.

To the best of our knowledge, the persons named have sole voting and investment power with respect to such shares, except as otherwise noted. There are not any pending or anticipated arrangements that may cause a change in control.

The information presented below regarding beneficial ownership of our voting securities has been presented in accordance with the rules of the Securities and Exchange Commission and is not necessarily indicative of ownership for any other purpose. Under these rules, a person is deemed to be a "beneficial owner" of a security if that person has or shares the power to vote or direct the voting of the security or the power to dispose or direct the disposition of the security. A person is deemed to own beneficially any security as to which such person has the right to acquire sole or shared voting or investment power within 60 days through the conversion or exercise of any convertible security, warrant, option or other right. More than one person may be deemed to be a beneficial owner of the same securities.

The percentage of beneficial ownership by any person as of a particular date is calculated by dividing the number of shares beneficially owned by such person, which includes the number of shares as to which such person has the right to acquire voting or investment power within 60 days, by the sum of the number of shares outstanding as of such date plus the number of shares as to which such person has the right to acquire voting or investment power within 60 days. Consequently, the denominator used for calculating such percentage may be different for each beneficial owner. Except as otherwise indicated below and under applicable community property laws, we believe that the beneficial owners of our common stock listed below have sole voting and investment power with respect to the shares shown.

Name	Title	Number of Shares	Number of Shares from Warrants, Options, and Convertible Notes, currently exercisable or exercisable in the next 60 days*	% of Common Share
Brent Bedford	Chairman, President and CEO	11,000,000	5,000,000	40.52%
Carl Dilley	General Manager of Operations	0	500,000	1.27%
William Thomas	Chief Financial Officer	0	300,000	.75%
Thomas Ristow	Director	300,000	500,000	2.03%
Rod Egan	Director	500,000	500,000	2.53%
Craig Dansereau	Director	510,000	1,610,667	5.37%
All officers and directors (and management) as a group [6 persons]		12,310,000	8,110,667	52.47%
ETI Technologies Inc.		0	16,000,000	40.52%
Osmium Holdings LLC		4,000,000	0	10.13%

This table is based upon information derived from our stock records. Unless otherwise indicated in the footnotes to this table and subject to community property laws where applicable, each of the shareholders named in this table has sole or shared voting and investment power with respect to the shares indicated as beneficially owned. Except as set forth above, applicable percentages are based upon 39,491,400 shares of common stock outstanding as of December 31, 2019.

Changes in Control

None.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

General

The amounts and terms of related party transactions are not necessarily indicative of the amounts and terms which would have been incurred had the transactions been incurred with unrelated parties.

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

	Five Months Ended	Twelve Months Ended	
	December 31, 2019	July 31, 2019	July 31, 2018
Management services – related party	\$ 60,270	\$ 62,295	\$ 59,499
Royalties and License Fees Pertaining to Exclusive Rights, excluding interest which appears under Other Income (Expense)	-	-	18,750
General and Administrative Expenses:			
Rent	6,166	11,495	7,976
Internet	-	-	885
Network and website maintenance	789	951	986
	<u>6,955</u>	<u>12,446</u>	<u>9,847</u>
Total Related Party Expenses	<u>\$ 67,225</u>	<u>\$ 74,741</u>	<u>\$ 88,096</u>

Management Service

During the five months ended December 31, 2019 and twelve months ended July 31, 2019 and July 31, 2018, the Company accrued management fees owed to Brent Bedford, the Company’s Chairman, President and CEO in the amount of \$30,270, \$62,295 and \$59,497, 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 management service, related party.

During the five months ended December 31, 2019, the Company paid management fees to Trip Thomas, the Company’s CFO in the amount of \$12,000. 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 five months ended December 31, 2019, the Company paid management fees to Carl Dilley, the Company’s COO in the amount of \$18,000. Carl Dilley has an oral agreement under which he provides management services through two private entities that he owns. The expenses are classified in the statement of operations as management service, related party.

General and Administrative Expenses

During the five months ended December 31, 2019 and twelve months ended July 31, 2019 and July 31, 2018, general and administrative expense from related parties amounted to \$6,955, \$12,446 and \$9,847, respectively. During the five months ended December 31, 2019 and twelve months ended July 31, 2019 and July 31, 2018, Brent Bedford, Chairman, President and CEO, provided office space, storage, and internet services to the Company totaling \$6,166, \$11,495 and \$7,976, respectively. During the five months ended December 31, 2019 and twelve months ended July 31, 2019 and July 31, 2018, the Company obtained network and website maintenance services from a related party for \$789, \$951 and \$986 respectively. The owner of the entity is a small shareholder of the Company and a relative of the Company’s president. The Company owed this small shareholder \$3,157, \$3,405 and \$1,227 at December 31, 2019, July 31, 2019, and July 31, 2018, respectively.

Director Independence

Our board of directors has determined that we have two board members (Rod Egan and Thomas Ristow) that qualify as “independent” as the term is 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. Brent Bedford, Chairman, President and CEO, does not qualify as “independent”.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

The following table summarizes the breakdown of professional services rendered by the principal accountant for the last two fiscal years. Professional Accounting Services Related to Principal Accountant, Including Audit Fees, Audit-Related Fees, Tax Fees, and All Other Preparation Fees

Description of Services	Five Months Ended December 31, 2019	Twelve Months Ended July 31, 2019	2018
Audit Review of Three Months Ended October 31st – Q1			
Audit Review of Three Months Ended January 31st – Q2			
Audit Review of Three Months Ended April 30th – Q3			
Audit of Annual Financial Statements	\$15,000	\$23,500	\$20,000
Total	\$15,000	\$23,500	\$20,000

PART IV**ITEM 15. 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.

Perpetual Industries Inc.

Registrant

March 30, 2020

Date

/s/ Brent W. Bedford

Brent W. Bedford, Chairman of the Board, CEO, Principal Executive Officer, Principal Accounting Officer and Principal Financial Officer

March 30, 2020

Date

/s/ Carl Dilley

Carl Dilley, Chief Operations Officer & Director

March 30, 2020

Date

/s/ William Griffin Thomas, III ("Trip")

Trip Thomas, Chief Financial Officer

March 30, 2020

Date

/s/ Craig Dansereau

Craig Dansereau, Director

March 30, 2020

Date

/s/ Rod Egan

Rod Egan, Director

March 30, 2020

Date

/s/ Thomas Ristow

Thomas Ristow, Director

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

No annual report or proxy material has been sent to security holders.