PERPETUAL INDUSTRIES INC.

QUARTERLY REPORT
Reviewed

FOR THE PERIOD ENDED
JUNE 30, 2020

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ITEM 1. FINANCIAL STATEMENTS

Perpetual Industries, Inc.

Unaudited Condensed Financial Statements

PERPETUAL INDUSTRIES, INC.
CONDENSED BALANCE SHEETS

	June 30, 2020 (Unaudited)	December 31, 2019 (Audited)
ASSETS		
Current assets		
Cash	$ 271,036	$ 624,547
Total current assets	271,036	624,547
Fixed assets	84,130	84,130
Accumulated depreciation	(68,524)	(65,714)
	15,606	18,416
Right of use asset	61,168	-
Note receivable and accrued interest, related party	161,934	155,951
Total non-current assets	238,708	174,367
Total assets	$ 509,744	$ 798,914
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	125,215	119,744
Accounts payable and accrued expenses - related party	54,072	107,263
Accrued legal fees	125,000	125,000
Convertible notes payable and accrued interest	12,500	12,100
Operating lease liability	60,034	-
Total current liabilities	376,821	364,107
Non-current liabilities:		
Operating lease liability, long term	20,772	-
Notes payable and accrued interest - related party	676,800	652,800
Notes payable and accrued interest	764,637	736,638
Total liabilities	1,839,030	1,753,545
Commitments and contingencies		
STOCKHOLDERS' DEFICIT		
Common stock, $0.001 par value; 100,000,000 shares authorized 39,491,400, 39,491,400 and 39,491,400 issued and outstanding at June 30, 2020 and December 31, 2019, respectively	39,491	39,491
Additional paid in capital	10,176,838	10,176,838
Other accumulated comprehensive loss	(14,088)	(17,875)
Accumulated deficit	(11,531,527)	(11,153,085)
Total stockholders' deficit	(1,329,286)	(954,631)
Total liabilities and stockholders' deficit	$ 509,744	$ 798,914

The accompanying notes are an integral part of these unaudited condensed financial statements

PERPETUAL INDUSTRIES, INC.

CONDENSED STATEMENTS OF OPERATIONS

(UNAUDITED)

	Three Months Ended		Six Months Ended	
	June 30,	June 30,	June 30,	June 30,
	2020	2019	2020	2019
Service revenue	$ -	$ -	$ -	$ -
Operating expenses				
Management service, related party	37,598	16,827	83,462	31,582
General and administrative expenses, related party	2,559	1,981	5,044	4,985
General and administrative expenses	66,069	22,317	143,896	37,335
Outsource consulting fees	52,354	-	100,354	-
Total operating expenses	158,580	41,125	332,756	73,902
Net operating loss	(158,580)	(41,125)	(332,756)	(73,902)
Other income (expense)				
Interest expense, non-related party	(14,200)	(1,635)	(28,400)	(6,770)
Interest expense, related party	(12,000)	(9,500)	(24,000)	(15,500)
Interest income - related party	2,992	-	5,984	-
Other income	50	-	399	-
Foreign currency adjustments	(104)	48	332	105
Total other income (expense)	(23,262)	(11,087)	(45,685)	(22,165)
Net (loss)	(181,842)	(52,212)	(378,441)	(96,067)
Unrealized translation gain (loss)	(1,160)	-	3,787	-
Other comprehensive income (loss)	$ (183,002)	$ (52,212)	$ (374,654)	$ (96,067)
Basic (loss) gain per share	$ (0.00)	$ (0.00)	$ (0.01)	$ (0.00)
Basis weighted average common shares outstanding	39,491,400	35,191,400	39,491,400	35,191,400
Diluted (loss) gain per share	$ (0.00)	$ (0.00)	$ (0.01)	$ (0.00)
Diluted weighted average common shares outstanding	65,881,733	61,585,289	65,881,733	61,585,289

The accompanying notes are an integral part of these unaudited condensed financial statements

PERPETUAL INDUSTRIES INC.

CONDENSED STATEMENT OF STOCKHOLDERS' DEFICIT

FOR THE THREE MONTHS ENDED JUNE 30, 2020 (UNAUDITED)

	Common Stock											
	Shares		Amount		Additional Paid-In Capital		Accumulated Other Comprehensive Loss		Accumulated Deficit		Total Shareholders' Equity (Deficit)
Balances, March 31, 2020	39,491,400	$	39,491	$	10,176,838	$	(12,928)	$	(11,349,685)	$	(1,146,284)
Net loss for the three months ended June 30, 2020	-		-		-		(1,160)		(181,842)		(183,002)
Balances, June 30, 2020	39,491,400	$	39,491	$	10,176,838	$	(14,088)	$	(11,531,527)	$	(1,329,286)

PERPETUAL INDUSTRIES INC.

CONDENSED STATEMENT OF STOCKHOLDERS' DEFICIT

FOR THE THREE MONTHS ENDED JUNE 30, 2019 (UNAUDITED)

	Common Stock											
	Shares		Amount		Additional Paid-In Capital		Accumulated Other Comprehensive Loss		Accumulated Deficit		Total Shareholders' Equity (Deficit)
Balances, March 31, 2019	35,491,400	$	35,491	$	9,975,439	$	-	$	(11,482,807)	$	(1,471,877)
Net loss for the three months ended June 30, 2019	-		-		-		-		(52,212)		(52,212)
Balances, June 30, 2019	35,491,400	$	35,491	$	9,975,439	$	-	$	(11,535,019)	$	(1,524,089)

The accompanying notes are an integral part of these unaudited condensed financial statements

PERPETUAL INDUSTRIES INC.

CONDENSED STATEMENT OF STOCKHOLDERS' DEFICIT

FOR THE SIX MONTHS ENDED JUNE 30, 2020 (UNAUDITED)

	Common Stock					
	Shares	**Amount**	**Additional Paid-In Capital**	**Accumulated Other Comprehensive Loss**	**Accumulated Deficit**	**Total Shareholders' Equity (Deficit)**
Balances, December 31, 2019	39,491,400	$ 39,491	$ 10,176,838	$ (17,875)	$ (11,153,086)	$ (954,632)
Net loss for the six months ended June 30, 2020	-	-	-	3,787	(378,441)	(374,654)
Balances, June 30, 2020	39,491,400	$ 39,491	$ 10,176,838	$ (14,088)	$ (11,531,527)	$ (1,329,286)

PERPETUAL INDUSTRIES INC.

CONDENSED STATEMENT OF STOCKHOLDERS' DEFICIT

FOR THE SIX MONTHS ENDED JUNE 30, 2019 (UNAUDITED)

	Common Stock					
	Shares	**Amount**	**Additional Paid-In Capital**	**Accumulated Other Comprehensive Loss**	**Accumulated Deficit**	**Total Shareholders' Equity (Deficit)**
Balances, December 31, 2018	35,491,400	$ 35,491	$ 9,975,439	$ -	$ (11,438,952)	$ (1,428,022)
Net loss for the six months ended June 30, 2019	-	-	-	-	(96,067)	(96,067)
Balances, June 30, 2019	35,491,400	$ 35,491	$ 9,975,439	$ -	$ (11,535,019)	$ (1,524,089)

The accompanying notes are an integral part of these unaudited condensed financial statements

PERPETUAL INDUSTRIES, INC.
CONDENSED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
Cash Flows from Operating Activities		
Net Loss	$ (378,441)	$ (96,067)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation expense	2,810	1,962
Interest income, related party	(5,984)	-
Changes in operating assets & liabilities		
Accounts payable	(43,471)	(55,210)
Accrued expenses	51,937	22,270
Right of use asset	(61,168)	-
Operating lease liability	80,806	-
Net cash used in operating activities	(353,511)	(127,045)
Cash Flows from Financing Activities		
Proceeds from the issuance of notes payable, related party	-	300,000
Proceeds from the issuance of future subscriptions	-	200,000
Net cash provided by financing activities	-	500,000
(Decrease) Increase in Cash	(353,511)	372,955
Cash at beginning of period	624,547	165,843
Cash at end of period	$ 271,036	$ 538,798
Supplemental Cash Flow Information		
Cash paid for interest	$ -	$ -
Cash paid for income taxes	$ -	$ -

The accompanying notes are an integral part of these unaudited condensed financial statements

1. Nature of operations

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

The Company coordinates research and development activities aimed at supporting innovative ideas that have the potential to impact and advance a wide range of industries on a global scale. Perpetual's sophisticated network of experts and team of business people have access to a vast international network of contacts and resources that enable the Company to provide essential components needed to take an idea from the initial stage through to commercialization.

One of the key areas of focus in the Company include research, development, and commercialization of new and innovative energy efficient products that incorporate our proprietary technology. Another key area of focus is the implementation of environmentally friendly solutions for the blockchain industry.

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. All research and development of the GEM system will be performed internally at the company's Indiana facility.

The anticipated stages of development for GEM Systems include:

1. Research & Development - currently active

2. Prototyping Fabrication – currently active

3. Prototype Testing & Evaluation – Estimated start January 2021

4. Production Prototype Optimization – Estimated start July 2021

5. Implementation & Commercialization – Estimated start January 2022

6. Manufacturing & Deployment – Estimated start December 2022

*We estimate the development of this project to take 2-3 years. Please note that the above noted stages and timeline projections are management's estimates based on its reasonable assumptions to date.

The Company has also developed a proprietary technology known as The XYO Mechanical Balancing Technology. XYO is designed specifically to eliminate vibration in rotating equipment to create energy efficient, environmentally responsible products.

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 domestic Washing Machine.
d) Optimization of a wind turbine utilizing the XYO Technology.

The Company is expanding its expertise and knowledge of energy efficient technology by developing low cost, green energy powered solutions for a variety of industries including renewable energy, blockchain mining, artificial intelligence, graphic rendering, internet of things (IoT), and cloud computing while continuing our research, development, and commercialization of the XYO Technology in key applications.

On March 4, 2020, the board of directors approved a change of the Company's financial year-end from July 31 to December 31. Accordingly, the Company presented audited financial statements as of and for the five month period ended December 31, 2019. As a result of this change to the Company's financial year-end, the comparative numbers of these unaudited condensed financial statements have been presented to conform with the current period presentation in the interim financial statements.

2. Summary of significant accounting policies

Basis of Presentation

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

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

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 related to cash.

Fixed Assets

Equipment is 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.

Common Stock

Shares of common stock have the following rights and privileges:

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

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

Stock Based Compensation Expense

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

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

Comprehensive Income (loss)

ASC Topic 220 (SFAS No. 130) establishes standards for reporting comprehensive income and its components. Comprehensive income or loss is defined as the change in equity during a period from transactions and other events from non-owner sources. The component of comprehensive income totaling $3,787 and $0 for the six months ended June 30, 2020 and 2019, respectively, related to foreign currency translation adjustment.

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 June 30, 2020, and December 31, 2019 no BCF was applicable on convertible debt.

Fair Value of Financial Instruments

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

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

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

Foreign Currencies

The Company determined that its functional currency is the United States dollar since the U.S. dollar is the currency of the environment in which the Company primarily generates and expends cash. Foreign currency transaction gains and losses represent gains and losses resulting from transactions entered into in a currency other than the functional currency of the Company. These transaction gains and losses are included in results of operations. For the six months ended June 30, 2020 and 2019 the Company had a foreign currency transaction gain of $332 and $105, respectively.

Income Taxes

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

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

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

Net Income (loss) Per Common Share

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

Recent Accounting Pronouncements

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

The ASU will be effective for annual and interim periods beginning after December 15, 2019, with early adoption permitted, and is applicable on a modified retrospective basis with various optional practical expedients. The Company has assessed the impact of this standard. The company's current leases as of the balance sheet date do not fall under this guidance as they are month-to-month leases. However, the Company entered into a new lease agreement in September 2019, which commenced on January 1, 2020. The Company has implemented this guidance in the current six months ended June 30, 2020.

In August 2018, the FASB issued Accounting Standards Update 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement ("ASU 2018-13"), which modifies the disclosure requirements on fair value measurements. ASU 2018-13 is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, with partial early adoption permitted for eliminated disclosures. The method of adoption varies by the disclosure. The Company has implemented this guidance in the current six months ended June 30, 2020.

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.

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

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

Comparative Figures

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

2. Fixed Assets

Fixed assets consisted of the following at June 30, 2020 and December 31, 2019:

	June 30, 2020	December 31, 2019
Computer hardware	$ 33,862	$ 33,862
Trailer	23,244	23,244
Computer software	17,288	17,288
Computers and peripherals	9,736	9,736
	84,130	84,130
Less: Accumulated depreciation	(68,524)	(65,714)
Equipment - net	$ 15,606	$ 18,416

Depreciation expense was $2,810 and $1,963 for the six months ended June 30, 2020 and 2019, respectively.

3. Operating lease right-of-use assets and operating lease liabilities

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

Operating lease right-of-use assets and liabilities are recognized at the present value of the future lease payments at the lease commencement date. The interest rate used to determine the present value is our incremental borrowing rate, estimated to be 7%, as the interest rate implicit in most of our leases is not readily determinable. Operating lease expense is recognized on a straight-line basis over the lease term. During the six months ended June 30, 2020, the Company recorded $21,000 as operating lease expense which is included in general and administrative expenses on the statements of operations.

Right-of- use assets are summarized below:

	June 30, 2020
Office lease	$ 80,806
Less accumulated amortization	(19,638)
Right-of-use assets, net	$ 61,168

Operating lease liabilities are summarized below:

		June 30, 2020
Office lease	$	80,806
Less: current portion		(60,034)
Long term portion		20,772

Maturity of lease liabilities are as follows:		
Year ending December 31, 2020	$	37,293
Fiscal year ending December 31, 2021		40,319
		77,612
Plus: Present value discount		3,194
Lease liability	$	80,806

4. Notes receivable, related party

On July 3, 2019, the Company entered into a non-binding letter of intent with Worldwide Group, LLC ("seller") to purchase an automotive marketing business (the "Asset") in Indiana to be used in connection with its business. Rod Egan is a current director of Perpetual Industries, is a managing partner of Worldwide Group, LLC. The acquisition is contingent on the parties entering into a Purchase Agreement at a later date. In connection with the non-binding letter of intent, the Company agreed to loan Worldwide Group, LLC $150,000 to finance the purchase of the Asset. The loan has a coupon rate of 8% and has a maturity date of January 3, 2021. For the six months ended June 30, 2020, the Company recorded interest income in the amount of $5,984.

5. Accrued expenses

Accrued expenses as of June 30, 2020 and December 31, 2019, consisted of the following:

		June 30, 2020		December 31, 2019
Accrued interest	$	2,500	$	15,621
Accrued legal fees		125,000		126,040
Accrued audit fees		59,067		59,067
Accrued rent		1,362		-
Total	$	187,929	$	200,728

6. Convertible notes

As of June 30, 2020 and December 31, 2019 the total amounts outstanding with respect to the Convertible Notes was:

		June 30, 2020		December 31, 2019
Convertible principal	$	10,000	$	10,000
Convertible accrued interest		2,500		2,100
Total amount due		12,500		12,100

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. For the six months ended June 30, 2020 and 2019, the Company recorded $400 and $11,135 in interest expense, respectively, related to the Convertible Notes.

7. Long-term notes payable

On May 9, 2018, the Company borrowed $300,000 under a promissory note payable agreement, with Osmium Holdings, LLC, a related party. The interest rate is 8% and the maturity date is June 10, 2024. The balance of accrued interest for this loan was $51,447 and $39,447 as of June 30, 2020 and December 31, 2019, respectively. For the six months ended June 30, 2020, the Company recorded $12,000 in interest expense.

On October 3, 2019, the Company borrowed $100,000 under a promissory note payable agreement. The interest rate is 8% and the maturity date is October 3, 2022. The balance of accrued interest for this loan was $13,931 and $9,931 as of June 30, 2020 and December 31, 2019, respectively. For the six months ended June 30, 2020, the Company recorded $4,000 in interest expense.

On June 10, 2019, the Company borrowed $300,000 under a promissory note payable agreement with Osmium Holdings, LLC, a related party. The interest rate is 8% and the maturity date is June 10, 2024. The balance of accrued interest for this loan was $25,353 and $13,353 as of June 30, 2020 and December 31, 2019, respectively. For the six months ended June 30, 2020, the Company recorded $12,000 in interest expense.

On June 10, 2019, the Company borrowed $600,000 under a promissory note payable agreement. The interest rate is 8% and the maturity date is June 10, 2024. The balance of accrued interest for this loan was $50,707 and $26,707 as of June 30, 2020 and December 31, 2019, respectively. For the six months ended June 30, 2020, the Company recorded $24,000 in interest expense.

8. Related party transactions and commitments

Notes Receivable

On July 3, 2019, the Company entered into a non-binding letter of intent with Worldwide Group, LLC ("seller") to purchase an automotive marketing business (the "Asset") in Indiana to be used in connection with its business. Rod Egan is a current director of Perpetual Industries and managing partner of Worldwide Group, LLC. The acquisition is contingent on the parties entering into a Purchase Agreement at a later date. In connection with the non-binding letter of intent, the Company agreed to loan Worldwide Group, LLC $150,000. The loan has a coupon rate of 8% and has a maturity date of January 3, 2021. For the six months ended June 30, 2020, the Company recorded interest income in the amount of $5,984. As of June 30, 2020 and December 31, 2019, the balance of interest receivable, related party is $11,934 and $5,951, respectively.

The balances of related party notes receivable is as follows:

	June 30, 2020	December 31, 2019
Notes receivable, related party	$ 150,000	$ 150,000
Interest receivable, related party	11,934	5,951
Total notes receivable – related party	$ 161,934	$ 155,951

Notes Payable

The Company has two loans with Osmium Holdings LLC ("Osmium"). Osmium owns 10.1% of the Company's common stock outstanding. The loans are as follows:

- On May 9, 2018, the Company borrowed $300,000 under a promissory note payable agreement with for the purpose of purchasing various items such as, but not limited to, equipment, materials, tools, software, expertise, machinery, services, training, certain apparatus, components and goods relating to the development the Green Energy Mining (GEM) system to be used in connection with its business. The interest rate is 8% and the maturity date is June 10, 2024. The balance of accrued interest for this loan was $51,447 and $39,447 as of June 30, 2020 and December 31, 2019, respectively. For the six months ended June 30, 2020, the Company recorded $12,000 in interest expense.

- On June 10, 2019, the Company borrowed $300,000 under a promissory note payable agreement for the purpose of performing due diligence and potential purchase a manufacturing facility to be used in connection with its business. The interest rate is 8% and the maturity date is June 10, 2024. The balance of accrued interest for this loan was $25,353 and $13,353 as of June 30, 2020 and December 31, 2019, respectively. For the six months ended June 30, 2020, the Company recorded $12,000 in interest expense.

Related party notes payable:

	June 30, 2020		December 31, 2019	
Notes payable, related party	$	600,000	$	600,000
Accrued interest, related party		76,800		52,800
Total notes payable – related party	$	676,800	$	652,800

Management Service

During the six months ended June 30, 2020 and 2019, the Company accrued management fees owed to Brent Bedford, the Company's Chairman, President and CEO in the amount of $39,462 and $31,582, 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 six months ended June 30, 2020, the Company paid management fees to Trip Thomas, the Company's CFO in the amount of $12,500. 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 six months ended June 30, 2020, the Company paid management fees to Carl Dilley, the Company's COO in the amount of $31,500. 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 six months ended June 30, 2020 and 2019, Shelley Bedford, a small shareholder of the Company and a relative of the Company's president, provided office management and administration support through a private entity that she owns amounting to $13,154 and $13,625, respectively. During the six months ended June 30, 2020 and 2019, the Company also obtained network and website maintenance services from this private entity for $659 and $473 respectively. The Company owed this small shareholder $2,965 and $4,739 respectively. During the six months ended June 30, 2020 and 2019, Brent Bedford, Chairman, President and CEO, provided office space, storage, and internet services through a private entity that he owns, to the Company totaling $4,385 and $4,513, respectively.

Related party operating expenses comprised of the following:

	Six Months Ended	
	June 30, 2020	June 30, 2019
Management service – related party	$ 83,462	$ 31,582
General and Administrative Expense:		
Office management & administrative support	13,154	13,625
Rent	4,385	4,513
Network and website maintenance	659	472
	18,198	18,610
Total related party operating expenses	$ 101,660	$ 50,192

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

	Six Months Ended	
	June 30, 2020	June 30, 2019
Interest expense, related party	$ (24,000)	$ (15,500)
Interest income, related party	5,984	-
Total other income (expense) – related party	$ (18,016)	$ (15,500)

9. Equity

Common Stock

At June 30, 2020 and December 31, 2019, the total number of shares of the Company's common stock that were issued and outstanding was 39,491,400 and 39,491,400, respectively.

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 valuated these options using the black scholes model using inputs as detailed below:

Underlying price	$0.03
Contractual strike price	$0.10
Expected term	1.50 Years
Market volatility:	
Equivalent Volatility	125.25%
Interest rate	1.53%

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 June 30, 2020 and December 31, 2019, the Company had options outstanding to purchase a total of 5,350,000 (15% of 35,491,000 total shares issued and outstanding) shares of common stock under the Plan (the "Option Grant"). The options include options to purchase 1,400,000 shares granted to consultants and/or independent contractors of the Company that are not executive officers as defined in Rule 501(f) of Reg (D).

Warrants

As of June 30, 2020 and December 31, 2019, the Company had 21,000,000 and 21,000,000 warrants outstanding, respectively.

10. 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 June 30, 2020 and December 31, 2019, the Company had $271,036 and $624,547 in cash and $105,784 in negative working capital and $260,440 in working capital. For the six months ended June 30, 2020 and 2019, the Company had net losses of $378,441 and $96,067, respectively. For the three months ended June 30, 2020 and 2019, the Company had net losses of $181,842 and $52,212, 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.

11. Commitments and Contingencies

The Company had no commitments and contingencies at June 30, 2020 and December 31, 2019.

12. Subsequent Events

Full revocation of the Cease Trade Order(CTO) Issued to the Company

The Alberta Securities Commission ("ABSC") and the British Columbia Securities Commission ("BCSC") have each issued the Company full revocation orders dated July 6, 2020 and July 9, 2020, respectively, granting full revocation of cease trade orders previously issued by the ASC and BCSC on December 2, 2015 and December 8, 2015 respectively (the "CTO's"). The Company has successfully prepared and filed all of its required continuous disclosure materials in accordance with applicable securities laws and meets the requirements of a reporting issuer not in default of its reporting requirements in the Canadian provinces of Alberta and British Columbia. The trading in, and acquisition of, securities of the Company is no longer prohibited or restricted by the CTOs. Copies of the applicable continuous disclosure materials required under Canadian securities laws for a reporting issuer can be found on the Company's profile at the System for Electronic Document and Retrieval ("SEDAR") at www.sedar.com.

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

This Management's Discussion and Analysis of Financial Condition and Results of Operations contain certain forward-looking statements. Historical results may not indicate future performance. Our forward-looking statements reflect our current views about future events; are based on assumptions and are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from those contemplated by these statements. Factors that may cause differences between actual results and those contemplated by forward-looking statements include, but are not limited to, those discussed in the section titled "Risk Factors" of our December 31, 2019 annual report. We undertake no obligation to publicly update or revise any forward-looking statements, including any changes that might result from any facts, events, or circumstances after the date hereof that may bear upon forward-looking statements. Furthermore, we cannot guarantee future results, events, levels of activity, performance, or achievements.

Basis of Presentation

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

Forward-Looking Statements

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

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

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

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

Organization

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

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

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

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

Business

We are an emerging growth company. One of the key areas of focus in the Company include research, development, and commercialization of new and innovative energy efficient products that incorporate our proprietary technology. Another key area of focus is the implementation of environmentally friendly solutions for the blockchain industry.

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 has also developed a proprietary technology known as The XYO Mechanical Balancing Technology. XYO is designed specifically to eliminate vibration in rotating equipment to create energy efficient, environmentally responsible products. Our expertise associated with the XYO technology is a result of over 25 years of research & development in a wide variety of industries.

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 domestic Washing Machine.
d) Optimization of a wind turbine utilizing the XYO Technology.

The Company is expanding its expertise and knowledge of energy efficient technology by developing low cost, green energy powered solutions for a variety of industries including renewable energy, blockchain mining, artificial intelligence, graphic rendering, internet of things (IoT), and cloud computing while continuing our research, development, and commercialization of the XYO Technology in key applications.

<u>Use of Estimates</u>

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.

Common Stock

Shares of common stock have the following rights and privileges:

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

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

Fixed Assets

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.

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. The component of comprehensive income totaling $3,787 and $0 for the six months ended June 30, 2020 and 2019, respectively, related to foreign currency translation adjustment.

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 June 30, 2020 and December 31, 2019 no BCF was applicable on convertible debt.

Fair Value of Financial Instruments

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

- Level 1—Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
- Level 2—Inputs other than quoted prices included within Level 1 that are observable for the asset or liability; either directly or indirectly, including quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability

(e.g. interest rates); and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

- Level 3—Inputs that are both significant to the fair value measurement and unobservable.

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

Foreign Currencies

The Company determined that its functional currency is the United States dollar since the U.S. dollar is the currency of the environment in which the Company primarily generates and expends cash. Foreign currency transaction gains and losses represent gains and losses resulting from transactions entered into in a currency other than the functional currency of the Company. These transaction gains and losses are included in results of operations. For the six months ended June 30, 2020 and 2019 the Company had a foreign currency transaction gain of $332 and $105, respectively.

Income Taxes

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

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

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

Net Income (loss) Per Common Share

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

Recent Accounting Pronouncements

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

The ASU will be effective for annual and interim periods beginning after December 15, 2019, with early adoption permitted, and is applicable on a modified retrospective basis with various optional practical expedients. The Company has assessed the impact of this standard. The company's current leases as of the balance sheet date do not fall under this guidance as they are month-to-month leases. However, the Company entered into a new lease agreement in September 2019 which falls under this current guidance and was implemented during the six months ended June 30, 2020.

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

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

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

Comparative Figures

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

Related party transactions and commitments

Notes Receivable

On July 3, 2019, the Company entered into a non-binding letter of intent with Worldwide Group, LLC ("seller") to purchase an automotive marketing business (the "Asset") in Indiana to expand its operations and become more active in the automotive industry, and in particular online auction platforms. Perpetual will be positioned to take advantage of opportunities within the automotive industry through Worldwide Group's adoption of new and innovative blockchain-based technologies. The non-binding letter of intent between the two remains valid and there have been no changes to the agreement. Rod Egan, is a current director of Perpetual Industries and managing partner of Worldwide Group, LLC. He has recused himself of voting on Company decisions regarding this related party matter. The acquisition is contingent on the parties entering into a Purchase Agreement at a later date. In connection with the non-binding letter of intent, the Company agreed to loan Worldwide Group, LLC $150,000. The loan has a coupon rate of 8% and has a maturity date of January 3, 2021. For the six months ended June 30, 2020, the Company recorded interest income in the amount of $5,984. As of June 30, 2020 and December 31, 2019, the balance of interest receivable, related party is $11,934 and $5,951, respectively.

The balances of related party notes receivable is as follows:

	June 30, 2020		December 31, 2019	
Notes receivable, related party	$	150,000	$	150,000
Interest receivable, related party		11,934		5,951
Total notes receivable – related party	$	161,934	$	155,951

Notes Payable

The Company has two loans with Osmium Holdings LLC ("Osmium"). Osmium owns 10.1% of the Company's common stock outstanding. The loans are as follows:

- On May 9, 2018, the Company borrowed $300,000 under a promissory note payable agreement with for the purpose of purchasing various items such as, but not limited to, equipment, materials, tools, software, expertise, machinery, services, training, certain apparatus, components and goods relating to the development the Green Energy Mining (GEM) system to be used in connection with its business. The interest rate is 8% and the maturity date is June 10, 2024. The balance of accrued interest for this loan was $51,447 and $39,447 as of June 30, 2020 and December 31, 2019, respectively. For the six months ended June 30, 2020, the Company recorded $12,000 in interest expense.

- On June 10, 2019, the Company borrowed $300,000 under a promissory note payable agreement for the purpose of performing due diligence and potential purchase a manufacturing facility to be used in connection with its business. The interest rate is 8% and the maturity date is June 10, 2024. The balance of accrued interest for this loan was $25,353 and $13,353 as of June 30, 2020 and December 31, 2019, respectively. For the six months ended June 30, 2020, the Company recorded $12,000 in interest expense.

Related party notes payable:

	June 30, 2020		December 31, 2019	
Notes payable, related party	$	600,000	$	600,000
Accrued interest, related party		76,800		52,800
Total notes payable – related party	$	676,800	$	652,800

Management Service

During the six months ended June 30, 2020 and 2019, the Company accrued management fees owed to Brent Bedford, the Company's Chairman, President and CEO in the amount of $39,462 and $31,582, 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 six months ended June 30, 2020, the Company paid management fees to Trip Thomas, the Company's CFO in the amount of $12,500. 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 six months ended June 30, 2020, the Company paid management fees to Carl Dilley, the Company's COO in the amount of $31,500. 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 six months ended June 30, 2020 and 2019, Shelley Bedford, a small shareholder of the Company and a relative of the Company's president, provided office management and administration support through a private entity that she owns amounting to $13,154 and $13,625, respectively. During the six months ended June 30, 2020 and 2019, the Company also obtained network and website maintenance services from this private entity for $659 and $473 respectively. The Company owed this small shareholder $2,965 and $4,739 respectively. During the six months ended June 30, 2020 and 2019, Brent Bedford, Chairman, President and CEO, provided office space, storage, and internet services through a private entity that he owns, to the Company totaling $4,385 and $4,513, respectively.

Related party operating expenses comprised of the following:

	Six Months Ended			
	June 30, 2020		June 30, 2019	
Management service – related party	$	83,462	$	31,582
General and Administrative Expense:				
Office management & administrative support		13,154		13,625
Rent		4,385		4,513
Network and website maintenance		659		472
		18,198		18,610
Total related party operating expenses	$	101,660	$	50,192

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

	Six Months Ended			
	June 30, 2020		June 30, 2019	
Interest expense, related party	$	(24,000)	$	(15,500)
Interest income, related party		5,984		-
Total other income (expense) – related party	$	(18,016)	$	(15,500)

RESULTS OF OPERATIONS

The following information represents our results of operations for the three months ended June 30, 2020 compared to the three months ended June 30, 2019:

Three Months Ended June 30, 2020 compared to Three Months Ended June 30, 2019

Increase/(Decrease)	2020	2019	2020 vs. 2019 $	2020 vs. 2019 %
Operating expenses:				
Personnel expenses, related party	$ 37,598	$ 16,827	$ 20,771	123%
General and administrative expenses, related party	2,559	1,981	578	29%
General and administrative expenses	66,069	22,317	43,752	196%
Outsource consulting fees	52,354	-	52,354	100%
Total operating expenses	158,580	41,125	117,455	286%
Net operating loss	(158,580)	(41,125)	(117,455)	286%
Other income (expense):				
Interest expense, non-related party	(14,200)	(1,635)	(12,565)	769%
Interest expense, related party	(12,000)	(9,500)	(2,500)	26%
Interest income - related party	2,992	-	2,992	100%
Other income	50	-	50	100%
Foreign currency adjustments	(104)	48	(152)	-317%
Total other income (expense)	(23,262)	(11,087)	(12,175)	110%
Net income (loss)	$ (181,842)	$ (52,212)	$ (129,630)	248%

Operating Expenses

Management services, related party

We incurred management fees in the amount of $37,598 for the three months ended June 30, 2020 versus $16,827 for the three months ended June 30, 2019. The increase of $20,771 relates to an increase in operations and additional management personnel.

General and administrative expenses, related party

General and administrative expenses include all related party costs associated with office management and administration support, rent, internet, network and website maintenance. We incurred general and administrative expenses, related party of $2,559 for the three months ended June 30, 2020 versus $1,981 for the three months ended June 30, 2019.

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 $66,069 for the for the three months ended June 30, 2020 versus $22,317 for the three months ended June 30, 2019. The increase of $43,752 was primarily related to increased legal, accounting and travel expenses due to increasing activity in our operations.

Outsourced Consulting Fees

Outsourced consulting fees include fees paid to outside consultants. We incurred outsource consulting fees of $52,354 for the for the three months ended June 30, 2020 versus $0 for the three months ended June 30, 2019. The increase of $52,354 was primarily related to increasing activity in our operations.

Other Income (Expense)

Interest expense

We incurred interest expense in the amount of $14,200 for the three months ended June 30, 2020 versus $1,635 for the three months ended June 30, 2019. The increase of $12,565 was primarily related to additional debt incurred.

Interest expense, related party

We incurred interest expense from a related party in the amount of $12,000 for the three months ended June 30, 2020 versus $9,500 for the three months ended June 30, 2019. The increase of $2,500 was primarily related to additional debt incurred.

Interest income, related party

In May 2019 we issued a $150,000 note receivable. For the three months ended June 30, 2020, we recorded $2,992 in interest income from this note.

Foreign currency adjustments

During the three months ended June 30, 2020 we had a foreign currency loss in the amount of $104 versus a gain in the amount of $48 for the three months ended June 30, 2019.

Net Income (Losses)

The Company had a net loss of $181,842 for the three months ended June 30, 2020 versus $52,212 for the three months ended June 30, 2019.

The following information represents our results of operations for the six months ended June 30, 2020 compared to the six months ended June 30, 2019:

Six Months Ended June 30, 2020 compared to Six Months Ended June 30, 2019

Increase/(Decrease)			**2020 vs. 2019**	
	2020	**2019**	**$**	**%**
Operating expenses:				
Personnel expenses, related party	$ 83,462	$ 31,582	$ 51,880	164%
General and administrative expenses, related party	5,044	4,985	59	1%
General and administrative expenses	143,896	37,335	106,561	285%
Outsource consulting fees	100,354	-	100,354	100%
Total operating expenses	332,756	73,902	258,854	350%
Net operating loss	(332,756)	(73,902)	(258,854)	350%
Other income (expense):				
Interest expense, non-related party	(28,400)	(6,770)	(21,630)	319%
Interest expense, related party	(24,000)	(15,500)	(8,500)	55%
Interest income - related party	5,984	-	5,984	100%
Other income	399	-	399	100%
Foreign currency adjustments	332	105	227	216%
Total other income (expense)	(45,685)	(22,165)	(23,520)	106%
Net income (loss)	$ (378,441)	$ (96,067)	$ (282,374)	294%

Operating Expenses

Management services, related party

We incurred management fees in the amount of $83,462 for the six months ended June 30, 2020 versus $31,582 for the six months ended June 30, 2019. The increase of $51,880 relates to an increase in operations and additional management personnel.

General and administrative expenses, related party

General and administrative expenses include all related party costs associated with office management and administration support, rent, internet, network and website maintenance. We incurred general and administrative expenses, related party of $5,044 for the six months ended June 30, 2020 versus $4,985 for the six months ended June 30, 2019.

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 $143,896 for the for the six months ended June 30, 2020 versus $37,335 for the six months ended June 30, 2019. The increase of $106,561 was primarily related to increased legal, accounting and travel expenses due to increasing activity in our operations.

Outsourced Consulting Fees

Outsourced consulting fees include fees paid to outside consultants. We incurred outsource consulting fees of $100,354 for the for the six months ended June 30, 2020 versus $0 for the six months ended June 30, 2019. The increase of $100,354 was primarily related to increasing activity in our operations.

Other Income (Expense)

Interest expense

We incurred interest expense in the amount of $28,400 for the six months ended June 30, 2020 versus $6,770 for the six months ended June 30, 2019. The increase of $21,630 was primarily related to additional debt incurred.

Interest expense, related party

We incurred interest expense from a related party in the amount of $24,000 for the three months ended June 30, 2020 versus $15,500 for the three months ended June 30, 2019. The increase of $8,500 was primarily related to additional debt incurred.

Interest income related party

In May 2019 the company issued a $150,000 note receivable to Worldwide Group, LLC. For the six months ended June 30, 2020, we recorded $5,984 in interest income from this note.

Foreign currency adjustments

During the six months ended June 30, 2020 we had a foreign currency gain in the amount of $332 versus a gain in the amount of $105 for the six months ended June 30, 2019.

Net Income (Losses)

The Company had a net loss of $378,441 for the six months ended June 30, 2020 versus $96,067 for the six months ended June 30, 2019.

Current Liquidity and Capital Resources for the Six Months Ended June 30, 2020 compared to Six Months Ended June 30, 2019

		2020		2019
Summary of Cash Flows:				
Net cash (used) by operating activities	$	(353,511)	$	(127,045)
Net cash (used) by investing activities		-		-
Net cash provided by financing activities		-		500,000
Net increase in cash and cash equivalents		(353,511)		372,955
Beginning cash and cash equivalents		624,547		165,843
Ending cash and cash equivalents	$	271,036	$	538,798

Operating Activities

Cash used in operations of $353,511 during the six months ended June 30, 2020 was primarily a result of our $378,441 net loss reconciled with our net non-cash expenses relating to depreciation expense, interest income, accounts payable and accrued liabilities. Cash used in operations of $127,045 during the six months ended June 30, 2019 was primarily a result of our $96,097 net loss reconciled with our net non-cash expenses relating to depreciation expense, interest income, accounts payable and accrued liabilities.

Future Capital Requirements

Our current available cash and cash equivalents are insufficient to satisfy our liquidity requirements. Our capital requirements for 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.

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

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

Seasonality

Our results and operations are not affected by seasonality.

Inflation

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

Off-Balance Sheet Arrangements

We have no significant off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Going Concern

The Company's financial statements are prepared using the generally accepted accounting principles applicable to a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. At June 30, 2020 and December 31, 2019, the Company had $271,036 and $624,547 in cash and $105,785 in negative working capital and $260,440 in working capital. For the six months ended June 30, 2020 and 2019, the Company had net losses of $378,441 and $96,067, respectively. For the three months ended June 30, 2020 and 2019, the Company had net losses of $181,842 and $52,212, respectively. Continued losses may adversely affect the liquidity of the Company in the future. In view of the matters described in the preceding paragraph, recoverability of a major portion of the recorded asset amounts shown in the accompanying balance sheet is dependent upon continued operations of the Company, which in turn is dependent upon the Company's ability to raise additional capital, obtain financing and to succeed in its future operations. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

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

Future Financings

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

Critical Accounting Policies

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. The estimates and judgments will also affect the reported amounts for certain revenues and expenses during the reporting period. Actual results could differ from these good faith estimates and judgments.

Recently Issued Accounting Pronouncements

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

Contractual Obligations

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

ITEM 4. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

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

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

Changes in Internal Controls

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

PART II

ITEM 5. OTHER INFORMATION

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

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

The Company has three directors (Brent Bedford, Carl Dilley, and Craig Dansereau) that have been determined as "not independent" on the basis that they hold executive officer positions currently in the Company, or have held executive officer positions within the last two years.

Director Independence:
The board of directors' exercise independent judgements in a number of ways. Besides the officers, directors are not involved in the day to day operations or management of the Company and are not compensated, which maintains their independence as directors. If a decision or vote is needed that involves a conflict of interest with one of the directors, it is immediately declared and that director excuses themselves from the vote. If an issue arises in an area that a director does not possess the necessary expertise to make a decision, then that director is required to seek out independent counsel from an advisor or professional that can assist them with the information, advise, or opinion needed to make a good decision for the Company. This enables the director to make an informed decisions and complete appropriate due-diligence on the matters.

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

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

ITEM 6. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

See Item 8 for Financial Statements.
All other Exhibits called for by Rule 601 of Regulation SK are not applicable to this filing.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Perpetual Industries Inc.

Registrant

August 10, 2020	/s/ Brent W. Bedford
Date	Brent W. Bedford, Chairman of the Board, CEO, Principal Executive Officer, Principal Accounting Officer and Principal Financial Officer
August 10, 2020	/s/ Carl Dilley
Date	Carl Dilley, Chief Operations Officer & Director
August 10, 2020	/s/ William Griffin Thomas, III ("Trip")
Date	Trip Thomas, Chief Financial Officer
August 10, 2020	/s/ Craig Dansereau
Date	Craig Dansereau, Director
August 10, 2020	/s/ Rod Egan
Date	Rod Egan, Director
August 10, 2020	/s/ Thomas Ristow
Date	Thomas Ristow, Director

Perpetual Industries Inc.

Registrant

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