

ENERGY EXPLORATION TECHNOLOGIES, INC.

***INDEPENDENT AUDITORS' REPORT
AND
AUDITED FINANCIAL STATEMENTS***

December 31, 2019

ENERGY EXPLORATION TECHNOLOGIES, INC.
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of
Energy Exploration Technologies, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of Energy Exploration Technologies, Inc. (the "Company"), which comprise the balance sheet as of December 31, 2019, and the related statements of operations, changes in stockholders' deficit, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments; the auditors consider internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



To the Board of Directors and Stockholders of
Energy Exploration Technologies, Inc.
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Opinion

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Company as of December 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

BDO-Audit, PSC
San Juan, Puerto Rico

April 2, 2020

Certified Public Accountants
(of Puerto Rico)
License No. 320 Expires December 1, 2022
Stamp E395098 of P.R. Society of
Certified Public Accountants has been
affixed to the file copy of this report

ENERGY EXPLORATION TECHNOLOGIES, INC.
BALANCE SHEET
DECEMBER 31, 2019

	<u>2019</u>
ASSETS	
CURRENT ASSETS -	
Cash	\$ 159,939
PREPAID EXPENSES	<u>11,862</u>
Total assets	<u>\$ 171,801</u>
LIABILITIES AND STOCKHOLDERS' DEFICIT	
CURRENT LIABILITIES:	
Accounts payable	\$ 21,600
Accrued liabilities	<u>80,650</u>
Total current liabilities	102,250
CONVERTIBLE PROMISSORY NOTES	300,000
SAFE AGREEMENT	<u>13,000</u>
Total liabilities	<u>415,250</u>
STOCKHOLDERS' DEFICIT	<u>(243,449)</u>
Total liabilities and stockholders' deficit	<u>\$ 171,801</u>

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

**ENERGY EXPLORATION TECHNOLOGIES, INC.
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>2019</u>
EXPENSES:	
Consulting	\$ 275,308
Professional services	274,862
Research and development	87,815
Other expenses	<u>148,042</u>
Total expenses	<u>786,027</u>
NET LOSS	<u>\$ 786,027</u>

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

**ENERGY EXPLORATION TECHNOLOGIES, INC.
STATEMENT OF CHANGES IN STOCKHOLDERS' DEFICIT
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Preferred Stocks</u>	<u>Common Stocks</u>	<u>Additional Paid-In Capital</u>	<u>Accumulated Deficit</u>	<u>Total</u>
Balance at January 1, 2019	\$ -	\$ -	\$ -	\$ -	\$ -
Issuance of common and preferred stocks	528,121	1	14,456	-	542,578
Net loss	-	-	-	(786,027)	(786,027)
Balance at December 31, 2019	<u>\$ 528,121</u>	<u>\$ 1</u>	<u>\$ 14,456</u>	<u>\$ (786,027)</u>	<u>\$ (243,449)</u>

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

ENERGY EXPLORATION TECHNOLOGIES, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
NET LOSS	\$ (786,027)
ADJUSTMENTS TO RECONCILE NET LOSS TO NET CASH USED IN OPERATING ACTIVITIES:	
Non-employee share compensation	17,578
Changes in assets and liabilities that increase/(decrease) cash:	
Prepaid expenses and other assets	(11,862)
Accounts payable	21,600
Accrued liabilities	80,650
SAFE agreement	<u>13,000</u>
Net cash used in operating activities	<u>(665,061)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds from issuance of preferred and common stocks	525,000
Proceeds from convertible promissory notes	<u>300,000</u>
Net cash provided by financing activities	<u>825,000</u>
NET INCREASE IN CASH	\$ 159,939
CASH, at beginning of year	-
CASH, at end of year	<u>\$ 159,939</u>

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

ENERGY EXPLORATION TECHNOLOGIES, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

1. NATURE OF BUSINESS

Energy Exploration Technologies, Inc. (the “Company”) is a domestic corporation organized under the laws of the Commonwealth of Puerto Rico on December 18, 2018. The Company has not commenced planned principal operations. The Company is engaged in the development and commercialization of technology related primarily to direct extract of Lithium in South America and next generation solid state batteries.

The Company’s activities since inception have consisted principally of acquiring technology patents, raising capital, and performing research and development activities. The Company’s activities are subject to significant risks and uncertainties including successful commercialization of technology and failing to secure additional funding necessary to operationalize the Company’s current technology.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the Company conform with accounting principles generally accepted in the United States of America, and, as such, include amounts based on judgments, estimates and assumptions made by management that affect the reported amounts of assets and liabilities and contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Following is a description of the more significant accounting policies followed by the Company:

Cash and Cash Equivalents - The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. There were no cash equivalents as of December 31, 2019.

Prepaid Expenses - Expenditures made to secure the use of assets or the receipts of services at a future date are charged to the prepaid account and are amortized based on the term and usage of the related asset or service.

Expense Recognition - Expenses are recognized when incurred.

Income Taxes - Income taxes using are accounted for using an asset-liability method. Deferred income taxes and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing asset and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of the change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is established for deferred tax assets that, based on management’s evaluation, are not expected to be realized.

ENERGY EXPLORATION TECHNOLOGIES, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

Tax benefits of uncertain tax positions are recorded only where the position is “more likely than not” to be sustained based on their technical merits. The amount recognized is the amount that represents the largest amount of tax benefit that is greater than 50% likely of being ultimately realized. A liability is recognized for any benefit claimed or expected to be claimed, in a tax return in excess of the benefit recorded in the financial statements, along with any interest and penalty (if applicable) in such excess. The Company has no uncertain tax position as of December 31, 2019.

Advertising - The Company expenses the cost of all advertising campaigns and promotions as they are incurred. During the year ended December 31, 2019, advertising expense amounted to \$25,240, and is included as part of the operating expenses in the statement of operations.

3. PREPAID EXPENSES

Prepaid expenses at December 31, 2019, consisted of the following:

	<u>2019</u>
Insurance	\$ 3,628
Registrations and subscriptions	<u>8,234</u>
Total prepaid expenses	<u>\$ 11,862</u>

4. CONVERTIBLE PROMISSORY NOTES

	<u>2019</u>
On November 15, 2019, the Company promises to pay to the order of Egan Global Management, LLC the principal sum of \$1,000,000, or, if less the outstanding amount of all advances and interest at fixed rate per annum equal to 15% computed on the basis of a 360 day year. Unless this Note is converted into common stocks, the principal and accrued interest of this Note will be due and payable by the Company at any time on or after October 31, 2021, at the Company's election or upon demand by the Holder.	\$ 250,000

On November 15, 2019, the Company promises to pay to the order of RJW Consulting, LLC the principal sum of \$50,000, or, if less the outstanding amount of all advances and interest at fixed rate per annum equal to 15% computed on the basis of a 360 day year. Unless this Note is converted into common stocks, the principal and accrued interest of this Note will be due and payable by the Company at any time on or after November 30, 2021, at the Company's election or upon demand by the Holders.	<u>50,000</u>
Total convertible promissory notes	<u>\$ 300,000</u>

ENERGY EXPLORATION TECHNOLOGIES, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

5. EQUITY INCENTIVE PLAN

The Company agrees to issue restricted common and preferred stocks in the Company on the terms and conditions of an award agreement to be entered into between Consultants and the Company (an "Award Agreement") issued pursuant to an equity incentive plan to be adopted by the Company. The Award Agreement shall be subject to the terms and conditions of such equity incentive plan.

As of December 31, 2019, the Company executed the reservation of 25,000 shares to be issued upon the exercise of options granted pursuant to the 2019 Equity Incentive Plan, as follows:

<u>Name of Grantee</u>	<u>Shares</u>
Robert Wowk	7,000
Benny Freeman	500
Michael Egan	500
Geraldine Berkowitz	1,000
Kevin Reimund	500
Option pool	<u>15,500</u>
Total	<u>25,000</u>

6. STOCKHOLDERS' DEFICIT

Stockholders' equity at December 31, 2019, consist of the following:

	<u>2019</u>
Preferred stocks:	
Convertible Series A-1, 35,000 shares authorized, issued and outstanding at December 31, 2019	\$ 525,000
Convertible Series A-2, 2,500 shares authorized; 313 shares issued and 2,187 shares outstanding at December 31, 2019	3,121
Common stock, \$0.00001 par value, 172,500 shares authorized; 66,450 shares issued and 106,050 shares outstanding at December 31, 2019	1
Additional paid-in capital	14,456
Accumulated deficit	<u>(786,027)</u>
Total stockholders' deficit	<u>\$ (243,449)</u>

In accordance with the Company's certificate of incorporation, the Company is authorized to 172,500 shares of common stock and 35,000 shares of Series A-1 preferred stock and 2,500 shares of Series A-2 preferred stock. The limitations and characteristics of the preferred stock will those the Board of Directors adopt through corporate resolutions. The Board of Directors decided to issue two classes of preferred shares with similar characteristics.

ENERGY EXPLORATION TECHNOLOGIES, INC.
NOTES TO THE FINANCIAL STATEMENTS
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Each share of Series A Preferred Stock shall be convertible, at the option of the holder thereof, at any time and from time to time, and without the payment of additional consideration by the holder thereof into an aggregate number of fully paid and non-assessable shares of Common Stock as is determined by dividing the Series A Original Issue Price by the Series A Conversion Price in effect at the time of conversion. The "Series A Conversion Price" shall initially be equal to \$15.00. Such initial Series A Conversion Price, and the rate at which shares of Series A Preferred Stock may be converted into shares of Common Stock.

The Corporation shall not declare, pay or set aside any dividends on shares of any other class or series of capital stock of the Corporation (other than dividends on shares of Common Stock payable in shares of Common Stock) unless (in addition to the obtaining of any consents required elsewhere in this Certificate of Incorporation) the holders of the Series A Preferred Stock then outstanding shall first receive, or simultaneously receive, a dividend on each outstanding share of Series A Preferred Stock in an amount at least equal to that dividend per share of Series A Preferred Stock as would equal the product of (A) the dividend payable on each share of such class or series determined, if applicable, as if all shares of such class or series had been converted into Common Stock and (B) the number of shares of Common Stock issuable upon conversion of a share of Series A Preferred Stock, in each case calculated on the record date for determination of holders entitled to receive such dividend.

In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, the holders of shares of Series A-1 Preferred Stock then outstanding shall be entitled to be paid out of the assets of the Corporation available for distribution to its stockholders, and in the event of a Deemed Liquidation Event (as defined below), the holders of shares of Series A-1 Preferred Stock then outstanding shall be entitled to be paid out of the consideration payable to stockholders in such Deemed Liquidation Event or out of the Available Proceeds (as defined below), as applicable, before any payment shall be made to the holders of Series A-2 Preferred Stock, Common Stock or any other class ranking junior in right of payment to the Series A-1 Preferred Stock by reason of their ownership thereof, an amount per share equal to one (1) times the Series A Original Issue Price, together with any dividends declared but unpaid thereon. If upon any such liquidation, dissolution or winding up of the Corporation or Deemed Liquidation Event, the assets of the Corporation available for distribution to its stockholders shall be insufficient to pay the holders of shares of Series A-1 Preferred Stock the full amount to which they shall be entitled under this Subsection 2.1, the holders of shares of Series A-1 Preferred Stock shall share ratably in any distribution of the assets available for distribution in proportion to the respective amounts which would otherwise be payable in respect of the shares held by them upon such distribution if all amounts payable on or with respect to such shares were paid in full. The "Series A Original Issue Price" shall mean \$15.00 per share, subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to the Series A -1 Preferred Stock.

ENERGY EXPLORATION TECHNOLOGIES, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

7. FUTURE EQUITY OBLIGATIONS

The Company entered into a SAFE Agreement (Simple Agreement for Future Equity) with a Consultant for services to the Company. The Company agreed to pay in the form a SAFE Agreement the compensation amount of \$2,000 per month and up to a maximum of \$24,000 over the term of the Service Agreement.

This Agreement will expire and terminate upon the issuance of stock to the Holder or payment equal to the Compensation amount. At of December 31, 2019, the Company owed the consultant \$13,000 in shared based compensation and present it as a SAFE Agreement in the accompanying balance sheet.

8. COMMITMENTS

The Company is obligated under technology development agreement until September 9, 2020. Future minimum agreement payments related to this contract as of December 31, 2019, are as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2020	<u>\$ 383,200</u>

The Company has the exclusive option to negotiate and acquire a worldwide, exclusive, sub-licensable license from the Institutions to practice Patent Rights, under the terms mutually negotiated and agreed. This Agreement is effective as of the date of full execution by all Parties indicated on the Signature Page (“Effective Date”), and shall remain effective for one year, but shall be extendable for twelve additional months unless a sponsored research agreement is signed.

9. INCOME TAXES

The Company operates under the provisions of a Tax Exemption Agreement from the Commonwealth of Puerto Rico pursuant to the terms of Act No. 20 2012, as amended. The tax exemption grant is in accordance with the applicable terms of the Act covering the performance of the eligible service activities for markets outside of Puerto Rico. Under the provisions of the Tax Exemption, the Company was granted a partial tax exemption from certain Puerto Rico taxes, including income taxes, personal and real property taxes, municipal taxes, among others applicable to Export Service Income (“ESI”), as defined in the grant, and eligible property. The exemption period is twenty (20) years. All income generated from the ESI activity of the Company shall be taxed at a 4% flat rate for income taxes. Municipal license taxes will be 60% exempt during the term of the grant. Municipal and State taxes on real and personal property will be 100% exempt for the first five (5) years starting on the effective date of the grant. Once the five (5) term of total exemption expires, the real and personal property will be exempt 90% for the remaining period of the grant.

ENERGY EXPLORATION TECHNOLOGIES, INC.
NOTES TO THE FINANCIAL STATEMENTS
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Non eligible services under the provisions of a Tax Exemption Agreement, the Company is subject to income taxes in Puerto Rico, at statutory rates which range from 20% to 37.5% depending on the level of taxable income.

Deferred income taxes are provided for the temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities. Temporary differences given rise to the deferred tax asset at December 31, 2019, consist of:

	<u>2019</u>
Tax losses carryforward	\$ 31,329
Less: valuation allowance	(31,329)
Net deferred tax asset	<u>\$ -</u>

A valuation allowance is recorded if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax assets may not be realized. At December 31, 2019, the Company recorded a valuation allowance for the entire deferred tax asset due to the uncertainty surrounding the timing of realizing certain tax benefits in future income tax returns.

At December 31, 2019, the Company had net operating losses carryforwards that may be offset against future taxable income and may expire as follow:

<u>Year Ending</u> <u>December 31,</u>	<u>Amount</u>
2029	\$ <u>783,232</u>

The authoritative guidance on accounting for uncertainty in income taxes prescribes a comprehensive model for the financial statement recognition, measurement, presentation and disclosure of income tax uncertainties with respect to positions taken or expected to be taken on income tax returns. Under the authoritative accounting guidance, income tax benefits are recognized and measured based upon a two-step model: 1) a tax position must be more likely than not to be sustained based solely on its technical merits in order to be recognized, and 2) the benefit is measured as the largest dollar amount of that position that is more likely than not to be sustained upon settlement. The difference between the benefit recognized in accordance with this model and the tax benefit claimed on a tax return is referred to as an unrecognized tax benefit. No adjustment was required as part of this accounting guidance.

The Company files income tax returns under the Internal Revenue Code of the Commonwealth of Puerto Rico and under the provisions of Act No. 20. The Company remains subject to income tax examinations for its Puerto Rico income taxes generally for 2019.

ENERGY EXPLORATION TECHNOLOGIES, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019

10. RISK CONCENTRATION

Financial instruments that potentially expose the Company to certain concentrations of credit risk include cash in bank accounts. The Company maintains accounts at high quality financial institutions. While the Company attempts to limit any financial exposure its deposits balances may, at time, exceed the amount insured by the Federal Deposit Insurance Corporation (“FDIC”). All deposit accounts are insured up to \$250,000 per depositor, per insured bank. The Company has not experienced any losses on such accounts. As of December 31, 2019, the Company's cash deposits did not exceed federally insured limits.

11. SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization declared a pandemic given the recent outbreak of the novel coronavirus COVID-19. This pandemic has led to adverse impacts on the U.S. and global economies.

As a result of the pandemic, the Company is operating on a limited basis. The effect business disruption cannot be reasonable estimated at this time but may be material to the Company operations. In addition, the extent to which the COVID-19 impacts the Company results depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the virus and the actions to contain or treat it's impact, among others.

During the period from January 1, 2020 to April 2, 2020, the date the financial statements were available to be issued, the Company evaluated subsequent events and determined that there were no events occurring in this period that required disclosure in or adjustment to the accompanying financial statements aside from the disclosed above.