WIND HARVEST INTERNATIONAL, INC.

CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2020 AND 2019

WIND HARVEST INTERNATIONAL, INC.

TABLE OF CONTENTS

To the Board of Directors of
Wind Harvest International, Inc.
Sacramento, California

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the accompanying consolidated financial statements of Wind Harvest International, Inc. and subsidiary (the "Company"), which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the related consolidated statements of operations, changes in stockholders' deficit, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Substantial Doubt About the Company's Ability to Continue as a Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As described in Note 2 to the consolidated financial statements, the Company has not generated revenues or profits since inception, has sustained net losses of $1,032,821 and $788,377 for the years ended December 31, 2020 and 2019, respectively, and has incurred negative cash flows from operations for the years ended December 31, 2020 and 2019. As of December 31, 2020, the Company had an accumulated deficit of $15,405,430, limited liquid assets with cash of $93,152, current liabilities in excess of current assets by $8,493,982, and is default on various loan obligations. These factors, among others, raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Artesian CPA LLC

Artesian CPA, LLC

Denver, Colorado
March 21, 2022

Artesian CPA, LLC
1624 Market Street, Suite 202 | Denver, CO 80202
p: 877.968.3330 f: 720.634.0905
info@ArtesianCPA.com | www.ArtesianCPA.com

WIND HARVEST INTERNATIONAL, INC.

CONSOLIDATED BALANCE SHEETS

	December 31, 2020	December 31, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	$ 93,152	$ 3,099
Subscription receivable	277,215	-
Total assets	$ 370,367	$ 3,099
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	$ 37,551	$ 93,629
Interest payable	3,056,876	2,521,086
Note payable, net	1,767,922	902,674
Convertible note payable	4,002,000	4,002,000
Total current liabilities	8,864,349	7,519,389
Interest payable, related party	508,999	451,492
Note payable, related party	1,506,506	1,511,159
Total liabilities	10,879,854	9,482,040
Commitments and contingencies (Note 7)		
Stockholders' deficit:		
Preferred stock, $0.0001 par value, 117,000,000 shares authorized, 92,640,172 shares issued and outstanding as of both December 31, 2020 and 2019	9,264	9,264
Common stock, $0.0001 par value, 162,000,000 shares authorized, 18,560,000 shares issued and outstanding as of both December 31, 2020 and 2019	1,856	1,856
Additional paid-in capital	4,884,823	4,882,548
Accumulated deficit	(15,405,430)	(14,372,609)
Total stockholders' deficit	(10,509,487)	(9,478,941)
Total liabilities and stockholders' deficit	$ 370,367	$ 3,099

See Independent Auditor’s Report and accompanying notes, which are an integral part of these consolidated financial statements.

WIND HARVEST INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended December 31, 2020	Year Ended December 31, 2019
Net revenue	$ -	$ -
Operating expenses:		
General and administrative	102,484	23,247
Sales and marketing	13,179	1,192
Research and development	289,649	198,141
Total operating expenses	405,312	222,580
Loss from operations	(405,312)	(222,580)
Other income (expense), net		
Other income	-	389
Interest expense	(627,509)	(566,186)
Total other expense, net	(627,509)	(565,797)
Provision for income taxes	-	-
Net loss	$ (1,032,821)	$ (788,377)
Weighted average common shares outstanding - basic and diluted	18,560,000	18,560,000
Net loss per common share - basic and diluted	$ (0.06)	$ (0.04)

See Independent Auditor's Report and accompanying notes, which are an integral part of these consolidated financial statements.

WIND HARVEST INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICT

	Preferred Stock		Common Stock		Additional	Accumulated	Total
	Shares	Amount	Shares	Amount	Paid-in Capital	Deficit	Stockholders' Deficit
Balances at December 31, 2018	92,640,172	$ 9,264	18,560,000	$ 1,856	$ 4,882,548	$ (13,584,232)	$ (8,690,564)
Net loss	-	-	-	-	-	(788,377)	(788,377)
Balances at December 31, 2019	92,640,172	9,264	18,560,000	1,856	4,882,548	(14,372,609)	(9,478,941)
Fair value of warrants issued	-	-	-	-	2,275	-	2,275
Net loss	-	-	-	-	-	(1,032,821)	(1,032,821)
Balances at December 31, 2020	92,640,172	$ 9,264	18,560,000	$ 1,856	$ 4,884,823	$ (15,405,430)	$ (10,509,487)

See Independent Auditor's Report and accompanying notes, which are an integral part of these consolidated financial statements.

WIND HARVEST INTERANTIONAL, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	2020	**2019**
Cash flows from operating activities:		
Net loss	$ (1,032,821)	$ (788,377)
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization of debt discount	8,557	2,501
Changes in operating assets and liabilities:		
Accounts payable	(56,078)	(12,949)
Interest payable	535,789	485,994
Interest payable, related party	57,507	57,510
Net cash used in operating activities	(487,046)	(255,320)
Cash flows from financing activities:		
Proceeds from notes, net of issuance costs	581,752	267,554
Repayments of notes	-	(5,300)
Repayment of related party notes	(4,653)	(4,474)
Net cash provided by financing activities	577,099	257,780
Net change in cash and cash equivalents	90,053	2,460
Cash and cash equivalents at beginning of year	3,099	640
Cash and cash equivalents at end of year	$ 93,152	$ 3,099
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	$ -	$ -
Cash paid for interest	$ 25,655	$ 20,180
Supplemental disclosure of non-cash financing activities:		
Fair value of warrants issued in connection with notes payable	$ 2,275	$ -
Original issuance discount on notes payable issued	$ 21,847	$ 26,256

See Independent Auditor's Report and accompanying notes, which are an integral part of these consolidated financial statements.

1. NATURE OF OPERATIONS

Wind Harvest International, Inc. (the “Company”) is a corporation formed on January 6, 2006 under the laws of the State of Delaware. The Company designs, makes and sells its Wind Harvester line of vertical axis wind turbines to customers and projects it subsidiaries develop. The Company is headquartered in Sacramento, California.

On April 7, 2020, the Company formed a wholly-owned subsidiary Wind Harvest Pilot Project, Inc. (“WHPP”), a Delaware corporation. WHPP was formed to raise capital for the Company through Regulation CF and 506(c) offerings. WHPP loans this money to the Company to provide the capital needed to bring the Wind Harvester turbines through the commercialization process and advance the development of projects that will buy the Company’s products.

2. GOING CONCERN

The Company has evaluated whether there are certain conditions and events, considered in the aggregate, that raise substantial doubt and the Company’s ability to continue as a going concern within one year after the date that the consolidated financial statements are issued.

The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company has not generated revenues or profits since inception, has sustained net losses of $1,032,821 and $788,377 for the years ended December 31, 2020 and 2019, respectively, and has incurred negative cash flows from operations for the years ended December 31, 2020 and 2019. As of December 31, 2020, the Company had an accumulated deficit of $15,405,430, limited liquid assets with cash of $93,152, current liabilities in excess of current assets by $8,493,982, and is default on various loan obligations. These factors raise substantial doubt about the Company’s ability to continue as a going concern. The Company’s ability to continue as a going concern for the next twelve months is dependent upon its ability to generate sufficient cash flows from operations to meet its obligations. No assurances can be given that the Company will be successful in these efforts. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities as a result of this uncertainty.

Subsequent to December 31, 2020, the Company has received additional proceeds through debt and equity issuances. See Note 8.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accounting and reporting policies of the Company conform to accounting principles generally accepted in the United States of America ("GAAP"). The Company’s fiscal year-end is December 31.

Principles of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary WHPP. All inter-company transactions and balances have been eliminated on consolidation.

Use of Estimates

The preparation of the Company’s consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates and assumptions reflected in these consolidated financial statements include, but are not limited to the valuations of common and preferred stock. The Company bases its estimates on historical experience, known trends and other market-specific or other relevant factors that it believes to be reasonable under the circumstances. On an ongoing basis, management evaluates its estimates when there are changes in circumstances, facts and experience. Changes in estimates are recorded in the period in which they become known. Actual results could differ from those estimates.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents. The Company generally maintains balances in various operating accounts at financial institutions that management believes to be of high credit quality, in amounts that may exceed federally insured limits. The Company has not experienced any losses related to its cash and cash equivalents and does not believe that it is subject to unusual credit risk beyond the normal credit risk associated with commercial banking relationships. At December 31, 2020 and 2019, all of the Company's cash and cash equivalents were held at accredited financial institutions.

Cash and Cash Equivalents

The Company considers all highly liquid investments with maturities of three months or less at the date of purchase to be cash equivalents.

Fair Value Measurements

Certain assets and liabilities of the Company are carried at fair value under GAAP. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. Financial assets and liabilities carried at fair value are to be classified and disclosed in one of the following three levels of the fair value hierarchy, of which the first two are considered observable and the last is considered unobservable:

- Level 1—Quoted prices in active markets for identical assets or liabilities.
- Level 2—Observable inputs (other than Level 1 quoted prices), such as quoted prices in active markets for similar assets or liabilities, quoted prices in markets that are not active for identical or similar assets or liabilities, or other inputs that are observable or can be corroborated by observable market data.
- Level 3—Unobservable inputs that are supported by little or no market activity that are significant to determining the fair value of the assets or liabilities, including pricing models, discounted cash flow methodologies and similar techniques.

The carrying values of the Company's assets and liabilities approximate their fair values.

Subscription Receivable

The Company records debt and stock issuances at the effective date. If the contribution is not funded upon issuance, the Company records a subscription receivable as an asset on a balance sheet. When subscription receivables are not received prior to the issuance of financial statements at a reporting date in satisfaction of the requirements under FASB ASC 505-10-45-2, the contributed capital is reclassified as a contra account to stockholders' deficit on the balance sheet.

Revenue Recognition

The Company adopted ASU 2014-09, *Revenue from Contracts with Customers*, and its related amendments (collectively known as "ASC 606"), effective January 1, 2018. The Company determines revenue recognition through the following steps:

- Identification of a contract with a customer;
- Identification of the performance obligations in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations in the contract; and
- Recognition of revenue when or as the performance obligations are satisfied.

Revenue is recognized when performance obligations are satisfied through the transfer of control of promised goods to the Company's customers in an amount that reflects the consideration expected to be received in exchange for transferring goods or services to customers. Control transfers once a customer has the ability to direct the use of, and obtain substantially all of the benefits from, the product. This includes the transfer of legal title, physical possession, the risks and rewards of ownership, and customer acceptance.

To date, the Company has not generated any revenue.

Sales and Marketing

Sales and marketing expenses includes advertising, public relations and business development costs. Advertising costs are expensed as incurred.

General and Administrative Expenses

General and administrative expenses consist primarily of consulting and professional services, as well as administrative expenditures.

Research and Development Expenses

Costs related to the development of the Company's technology are included in research and development expenses and are expensed as incurred in accordance with Accounting Standards Codification ("ASC") 730. Research and development costs primarily consist of third-party engineering fees and other personnel costs related to the Company's research and development activities.

Accounting for Preferred Stock

ASC 480, *Distinguishing Liabilities from Equity*, includes standards for how an issuer of equity (including equity shares issued by consolidated entities) classifies and measures on its balance sheet certain financial instruments with characteristics of both liabilities and equity.

Management is required to determine the presentation for the preferred stock as a result of the redemption and conversion provisions, among other provisions in the agreement. Specifically, management is required to determine whether the embedded conversion feature in the preferred stock is clearly and closely related to the host instrument, and whether the bifurcation of the conversion feature is required and whether the conversion feature should be accounted for as a derivative instrument. If the host instrument and conversion feature are determined to be clearly and closely related (both more akin to equity), derivative liability accounting under ASC 815, *Derivatives and Hedging*, is not required. Management determined that the host contract of the preferred stock is more akin to equity, and accordingly, liability accounting is not required by the Company. The Company has presented preferred stock within stockholders' deficit.

Convertible Instruments

GAAP requires companies to bifurcate conversion options from their host instruments and account for them as free-standing derivative financial instruments according to certain criteria. The criteria include circumstances in which (a) the economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract, (b) the hybrid instrument that embodies both the embedded derivative instrument and the host contract is not re-measured at fair value under otherwise applicable generally accepted accounting principles with changes in fair value reported in earnings as they occur and (c) a separate instrument with the same terms as the embedded derivative instrument would be considered a derivative instrument. An exception to this rule is when the host instrument is deemed to be conventional as that term is described under applicable GAAP.

When the Company has determined that the embedded conversion options should not be bifurcated from their host instruments, the Company records, when necessary, discounts to convertible notes for the intrinsic value of conversion options embedded in debt instruments based upon the differences between the fair value of the underlying common stock at the commitment date of the note transaction and the effective conversion price embedded in the note. Debt discounts under these arrangements are amortized over the term of the related debt to their stated date of redemption. The Company also records, when necessary, deemed dividends for the intrinsic value of conversion options embedded in preferred shares based upon the differences between the fair value of the underlying common stock at the commitment date of the transaction and the effective conversion price embedded in the preferred shares.

As of December 31, 2020 and 2019, the Company had no such conversion features.

Income Taxes

The Company uses the liability method of accounting for income taxes as set forth in ASC 740, *Income Taxes*. Under the liability method, deferred taxes are determined based on the temporary differences between the financial statement and tax basis of assets and liabilities using tax rates expected to be in effect during the years in which the basis differences reverse. A valuation allowance is recorded when it is unlikely that the deferred tax assets will not be realized. The Company assesses its income tax positions and record tax benefits for all years subject to examination based upon our evaluation of the facts, circumstances and information available at the reporting date. In accordance with ASC 740-10, for those tax positions where there is a greater than 50% likelihood that a tax benefit will be sustained, our policy will be to record the largest amount of tax benefit that is more likely than not to be realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. For those income tax positions where there is less than 50% likelihood that a tax benefit will be sustained, no tax benefit will be recognized in the consolidated financial statements.

Net Loss per Share

Net earnings or loss per share is computed by dividing net income or loss by the weighted-average number of common shares outstanding during the period, excluding shares subject to redemption or forfeiture. The Company presents basic and diluted net earnings or loss per share. Diluted net earnings or loss per share reflect the actual weighted average of common shares issued and outstanding during the period, adjusted for potentially dilutive securities outstanding. Potentially dilutive securities are excluded from the computation of the diluted net loss per share if their inclusion would be anti-dilutive. As all potentially dilutive securities are anti-dilutive as of December 31, 2020 and 2019, diluted net loss per share is the same as basic net loss per share for each year.

Recently Adopted Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-02, *Leases (Topic 842)*. This ASU requires a lessee to recognize a right-of-use asset and a lease liability under most operating leases in its balance sheet. The ASU is effective for annual and interim periods beginning after December 15, 2021. Early adoption is permitted. The Company is continuing to evaluate the impact of this new standard on our financial reporting and disclosures.

In June 2018, the FASB issued ASU No. 2018-07, *Compensation - Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting* (“ASU 2018-07”). ASU 2018-07 eliminates the separate accounting model for nonemployee share-based payment awards and generally requires companies to account for share-based payment transactions with nonemployees in the same way as share-based payment transactions with employees. The accounting remains different for attribution, which represents how the equity-based payment cost is recognized over the vesting period, and a contractual term election for valuing nonemployee equity share options. ASU 2018-07 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018, with early adoption permitted. The Company adopted ASU 2018-07 on January 1, 2019 and does not believe the adoption had a material impact on the consolidated financial statements as of December 31, 2020 and 2019.

In May 2014, the FASB issued ASC 606, providing new revenue recognition guidance that superseded existing revenue recognition guidance. The update, as amended, requires the recognition of revenue related to the transfer of goods or services to customers reflects the consideration to which the entity expects to be entitled in exchange for those goods or services, as well as additional qualitative and quantitative disclosures about revenues. The Company adopted the new revenue recognition guidance as of January 1, 2019 using the modified retrospective method of transition for all contracts that were not completed as of that date. Management does not believe this treatment had a material impact through December 31, 2020.

In January 2017, the FASB issued ASU 2017-04, Intangibles - Goodwill and Other (Topic 350), Simplifying Accounting for Goodwill Impairment (“ASU 2017-04”). ASU 2017-04 removes the requirement to perform a hypothetical purchase price allocation to measure goodwill impairment. A goodwill impairment will now be the amount by which a reporting unit’s carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. The amendments in this update are effective for public entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. For all other entities, the amendment is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Company is currently evaluating the impact the adoption of ASU 2017-04 will have on the Company’s consolidated financial statements.

In August 2018, the FASB issued ASU 2018-15, Intangibles — Goodwill and Other — Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract (“ASU 2018-15”). ASU 2018-15 requires a customer in a cloud computing arrangement that is a service contract to follow the internal-use software guidance in ASC 350-40 to determine which implementation costs to defer and recognize as an asset.

The amendments in this update are effective for public entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. For all other entities, the amendment is effective for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. The Company is still in the process of evaluating the new standard but expects it to be non-significant to the consolidated financial statements. We have not early adopted this standard.

In August 2020, FASB issued ASU 2020-06, Accounting for Convertible Instruments and Contracts in an Entity; Own Equity ("ASU 2020-06"), as part of its overall simplification initiative to reduce costs and complexity of applying accounting standards while maintaining or improving the usefulness of the information provided to users of consolidated financial statements. Among other changes, the new guidance removes from GAAP separation models for convertible debt that require the convertible debt to be separated into a debt and equity component, unless the conversion feature is required to be bifurcated and accounted for as a derivative or the debt is issued at a substantial premium. As a result, after adopting the guidance, entities will no longer separately present such embedded conversion features in equity, and will instead account for the convertible debt wholly as debt. The new guidance also requires use of the "if-converted" method when calculating the dilutive impact of convertible debt on earnings per share, which is consistent with the Company's current accounting treatment under the current guidance. The guidance is effective for consolidated financial statements issued for fiscal years beginning after December 15, 2021, and interim periods within those fiscal years, with early adoption permitted, but only at the beginning of the fiscal year. The Company is currently evaluating the impact the adoption of ASU 2020-06 will have on the Company's consolidated financial statements.

Management does not believe that any other recently issued accounting standards could have a material effect on the accompanying consolidated financial statements. As new accounting pronouncements are issued, the Company will adopt those that are applicable under the circumstances.

4. DEBT

Note Payable

The Company has entered into promissory notes with third-party investors. During the years ended December 31, 2020 and 2019, the Company entered into notes for aggregate principal amounts of $240,317 and $293,810, respectively. In 2020 and 2019, the Company incurred original issue discounts of $21,847 and $26,256, respectively, pertaining to these notes, which were recorded as debt discounts and are amortized to interest expense over the life of the notes. Amortization expense was $7,582 and $2,501 for the years ended December 31, 2020 and 2019, respectively.

The notes bear interest at rates ranging from 4 to 18%. Interest expense on these notes was $133,490 and $85,189 during the years ended December 31, 2020 and 2019, respectively. Accrued interest on the note payable was $365,717 and $232,217 as of December 31, 2020 and 2019, respectively. These notes were in default as of December 31, 2020. In 2021, the maturity date of the notes was extended to September 1, 2024 with the exception of some notes that were repaid in 2021. Upon the maturity date, all outstanding principal and any unpaid interest is due.

As of December 31, 2020 and 2019, the outstanding principal of these notes was $1,166,746 and $926,429, presented net of unamortized discounts of $37,521 and $23,256 for carrying amounts of $1,128,728 and $902,673, all respectively.

Regulation CF Offering

In October 2020, the Company initiated a Regulation CF and 506(c) offering via its subsidiary WHPP. Under the offering, WHPP issued promissory notes that bear interest at 8 to 10% per annum and mature on December 31, 2027, at which point all then outstanding principal and accrued interest become due and payable. These notes are guaranteed by Wind Harvest International, Inc. In connection with the notes, investors are entitled to receive 640 common stock warrants for each $100 in note principal invested (see Note 5).

As of December 31, 2020, the Company has raised an aggregate principal of $692,429, including proceeds of $363,282, net of issuance costs of $51,932. The issuance costs were recorded as a debt discount and are being amortized to interest expense over the life of the notes. As of December 31, 2020, the Company has a subscription receivable of $277,215 pertaining to the offering.

As noted above, WHPP issued 4,431,546 warrants to purchase common stock in connection with the notes. The total fair value of the warrants of $2,275 was recorded as a debt discount and is being amortized to interest expense over the life of the notes.

Amortization expense on the debt discount was $976 for the year ended December 31, 2020. Interest expense on the notes was $2,090 in 2020, all of which was accrued and unpaid as of December 31, 2020.

The following is a summary of notes payable for the years ended December 31, 2020 and 2019:

	Principal	Unamortized Debt Discount	Note Payable, Net
Balance, December 31, 2018	$ 637,919	$ -	$ 637,919
Issuance of notes to third parties	293,810	(26,256)	267,554
Repayments	(5,300)	-	(5,300)
Amortization of debt discount	-	2,501	2,501
Balance, December 31, 2019	926,429	(23,755)	902,674
Issuance of notes to third parties	240,317	(21,847)	218,470
Issuance of notes pursuant to Regulation CF offering	692,429	(54,208)	638,221
Amortization of debt discount	-	8,557	8,557
Balance, December 31, 2020	$ 1,859,175	$ (91,253)	$ 1,767,922

Convertible Note Payable

From 2012 to 2016, the Company entered into several convertible promissory note agreements. The outstanding principal of the convertible notes was $4,002,000 as of December 31, 2020 and 2019. The notes bear interest at 10% per annum. With the exception of some smaller notes, in 2021 the maturity date of the notes was extended to September 1, 2024. Upon the maturity date, all outstanding principal and any unpaid interest is due. In connection with these notes, the Company issued 16,000,000 warrants to purchase preferred stock. The warrants had a fair value of $441,577, which were recorded as a debt discount and amortized to interest expense.

With respect to principal of $1,117,000 and accrued interest of $747,005 as of December 31, 2020, upon a preferred equity financing of $1,500,000 - $2,000,000 (dependent upon the agreement), the outstanding principal and all accrued and unpaid interest shall automatically convert into shares of preferred stock at a conversion price equal to 90% - 100% (dependent upon the agreement) of the price per share at which such preferred stock was sold in the equity financing. With respect to $2,885,000 and accrued interest of $1,942,064 as of December 31, 2020, the notes are convertible into Series A Preferred stock at the holder's option at a conversion price of $0.05 per share.

Interest expense on these notes was $400,200 and $400,200 during the years ended December 31, 2020 and 2019 respectively. As of December 31, 2020 and 2019, accrued interest on convertible notes was $2,689,069 and $2,288,869, respectively.

Note Payable, Related Party

In 2012, the Company entered into promissory notes with its founders and an entity owned by a founder. The outstanding principal of the related party notes was $1,506,506 and $1,511,159 as of December 31, 2020 and 2019, respectively.

The notes bear interest at 4% per annum. Interest expense on the notes was $60,353 and $60,536 during the years ended December 31, 2020 and 2019, respectively. As of December 31, 2020 and 2019, accrued interest on related party notes was $508,999 and $451,492, respectively.

The outstanding principal and accrued interest are payable thirty days from the trigger date, which is defined as the earliest of a) revenues of $50,000,000, b) EBITDA of $10,000,000 or c) a debt or equity financing of $20,000,000.

5. STOCKHOLDERS’ EQUITY (DEFICIT)

Preferred and Common Stock

As of December 31, 2020, the Company's certificate of incorporation, as amended and restated, authorized the Company to issue 117,000,000 shares of preferred stock, designated as Series A Preferred Stock, and 162,000,000 shares of common stock, $0.0001 par value. The preferred stock is convertible into shares of common stock at a dilution protected one for one rate.

The holders of each class of stock shall have the following rights and preferences:

Voting

The holders of preferred are entitled to vote, together with the holders of common stock as a single class, on all matters submitted to stockholders for a vote and have the right to vote the number of shares equal to the number of shares of common stock into which each share of preferred stock could convert on the record date for determination of stockholders entitled to vote.

Dividends

The Company shall not declare, pay or set aside any dividends on shares of any other class or series of capital stock unless the holders of the preferred stock then outstanding shall first receive, or simultaneously receive, a dividend on each outstanding share of preferred stock in an amount equal to 8% of the Original Issue Price (as defined below) per share per annum. Thereafter, any additional dividend shall be payable on a pro rata basis to the holders of common stock and preferred stock (assuming the conversion of preferred stock into common stock at the then current conversion price). The dividend shall not be cumulative and shall be payable only if, when and as declared by the Board of Directors. Through December 31, 2020, no dividends had been declared. The preferred stock Original Issue Price shall mean $0.05 per share.

Liquidation

In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company or deemed liquidation event, the holders of preferred stock then outstanding shall be entitled to be paid out of the assets of the Company available for distribution to its stockholders before any payment shall be made to the holders of common stock in an amount per share equal to the greater of (i) the Original Issue Price, plus any dividends declared but unpaid thereon, or (ii) such amount per share as would have been payable had all shares of preferred stock been converted into common stock.

Redemption

No class of stock shall have any redemption rights.

Conversion

Each share of preferred stock shall be convertible, at the option of the holder at any time into shares of common stock by dividing the Original Issue Price by the conversion price in effect at the time of conversion and subject to adjustment for certain dilutive events. The conversion price shall initially be equal to $0.05. Each share of preferred stock is mandatorily convertible into one share of common stock upon a qualified initial public offering (as defined in the articles of incorporation) or upon the majority vote of the preferred stockholders.

As of December 31, 2020 and 2019, the Company had 92,640,172 shares of preferred stock issued and outstanding. As of December 31, 2020 and 2019, the Company had 18,560,000 shares of common stock issued and outstanding.

Warrants

Preferred Stock Warrants

As of December 31, 2020 and 2019, the Company had 24,418,125 and 25,827,536 outstanding warrants, respectively, to purchase shares of preferred stock. The warrants, issued between 2012 and 2016, have an exercise price of $0.05 per share and a ten-year term. As of December 31, 2020, all outstanding warrants were exercisable with a weighted average exercise price of $0.05 per share and a weighted average duration to expiration of 3.41 years.

Common Stock Warrants

In connection with the notes issued by WHPP in its crowdfunding campaign (Note 4), investors are entitled to receive 640 common stock warrants for each $100 in note principal invested. Through December 31, 2020, WHPP issued 4,431,546 warrants to purchase common stock. The warrants have an exercise price of $0.01 per share and expire in December 2027. Warrant holders will receive a pro-rata share of the profits when the warrants are exercised and the shares issued under the warrants are sold by WHPP. As of December 31, 2020, no warrants were exercisable.

The following table presents, on a weighted average basis, the assumptions used in the Black-Scholes option-pricing model to determine the grant-date fair value of the warrants granted:

	Year Ended December 31, 2020
Risk-free interest rate	0.24%
Expected term (in years)	3.50
Expected volatility	65.25%
Expected dividend yield	0%

The total fair value of the warrants of $2,275 was recorded as a debt discount and is being amortized to interest expense over the life of the notes. Amortization expense on the debt discount was $976 for the year ended December 31, 2020.

6. INCOME TAXES

Deferred taxes are recognized for temporary differences between the basis of assets and liabilities for financial statement and income tax purposes. The differences relate primarily to cash to accrual differences and net operating loss carryforwards. As of December 31, 2020 and 2019, the Company had net deferred tax assets before valuation allowance of $2,181,029 and $1,996,537, respectively. The following table presents the deferred tax assets and liabilities by source:

	December 31, 2020	December 31, 2019
Deferred tax assets:		
Net operating loss carryforwards	$ 1,192,292	$ 1,142,179
Cash to accrual differences	988,737	824,357
Valuation allowance	(2,181,029)	(1,966,536)
Net deferred tax assets	$ -	$ -

The Company recognizes deferred tax assets to the extent that it believes that these assets are more likely than not to be realized. In making such a determination, the Company considers all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies, and results of recent operations. The Company assessed the need for a valuation allowance against its net deferred tax assets and determined a full valuation allowance is required due to taxable losses for the years ended December 31, 2020 and 2019, cumulative losses through December 31, 2020, and no history of generating taxable income. Therefore, valuation allowances of $2,181,029 and $1,996,537, were recorded as of December 31, 2020 and 2019, respectively. Valuation allowance increased by $214,493 during the year ended December 31, 2020. Deferred tax assets were calculated using the Company's combined effective tax rate, which it estimated to be 28.1%. The effective rate is reduced to 0% for 2020 and 2019 due to the full valuation allowance on its net deferred tax assets.

The Company's ability to utilize net operating loss carryforwards will depend on its ability to generate adequate future taxable income. At December 31, 2020 and 2019, the Company had net operating loss carryforwards available to offset future taxable income in the amounts of $4,241,521 and $4,063,249, respectively.

The Company has evaluated its income tax positions and has determined that it does not have any uncertain tax positions. The Company will recognize interest and penalties related to any uncertain tax positions through its income tax expense.

The Company may in the future become subject to federal, state and local income taxation though it has not been since its inception, other than minimum state tax. The Company is not presently subject to any income tax audit in any taxing jurisdiction, though its 2018-2020 tax years remain open to examination.

7. COMMITMENTS AND CONTINGENCIES

Contingencies

The Company may be subject to pending legal proceedings and regulatory actions in the ordinary course of business. The results of such proceedings cannot be predicted with certainty, but the Company does not anticipate that the final outcome, if any, arising out of any such matters will have a material adverse effect on its business, financial condition or results of operations.

8. SUBSEQUENT EVENTS

In 2021, with the exception of some smaller notes, the maturity date of the convertible promissory notes was extended to September 1, 2024. See Note 4.

In April 2021, WHPP completed its Regulation CF offering (see Note 4) for total proceeds of $1,470,666, including proceeds of $415,214 in 2021. In 2021, WHPP initiated another Regulation CF offering with the same terms as noted in Note 4. Through the issuance date, WHPP has raised $86,276 in gross proceeds.

The Company has received proceeds of $310,000 from convertible note agreements. The notes are automatically convertible into shares of preferred stock upon a preferred equity financing of $2,000,000 at a 10% discount.

The Company has received proceeds of $360,952 pursuant to exercise of warrants into shares of preferred/common stock.

Management has evaluated subsequent events through March 21, 2022, the date the consolidated financial statements were available to be issued. Based on this evaluation, no additional material events were identified which require adjustment or disclosure in these consolidated financial statements.