

---

**EARTHGRID PBC**

**FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2021 AND 2020**

---

## INDEX TO FINANCIAL STATEMENTS

---

	Page
INDEPENDENT ACCOUNTANT'S AUDIT REPORT .....	1
FINANCIAL STATEMENTS:	
Balance Sheet .....	2
Statement of Operations .....	3
Statement of Changes in Stockholders' Equity .....	4
Statement of Cash Flows .....	5
Notes to Financial Statements .....	6

---

## INDEPENDENT ACCOUNTANT'S AUDIT REPORT

To the Board of Directors  
Earthgrid PBC  
Richmond, California

### Opinion

We have audited the financial statements of Earthgrid PBC which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of operations, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Earthgrid PBC as of December 31, 2021 and 2020, 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 audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Earthgrid PBC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Earthgrid PBC's ability to continue as a going concern for period of twelve months from the end of the year ended December 31, 2021.

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

Our objectives are to obtain reasonable assurance about whether the 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 GAAS 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 are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 Earthgrid PBC's 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Earthgrid PBC'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.

SetApart FS

September 21, 2022  
Los Angeles, California

**EARTHGRID PBC**  
**BALANCE SHEETS**

As of December 31,	2021	2020
(USD \$ in Dollars)		
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 14,111	\$ 2,038
Accounts receivable	4,725	-
Due from related parties	104,261	-
<b>Total current assets</b>	<b>123,097</b>	<b>2,038</b>
Property and equipment	61,111	56,000
<b>Total assets</b>	<b>\$ 184,208</b>	<b>\$ 58,038</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current Liabilities:		
Accounts payable	\$ 39,836	\$ -
Due to related parties	225,143	-
<b>Total liabilities</b>	<b>264,979</b>	<b>-</b>
<b>STOCKHOLDERS' EQUITY</b>		
Preferred stock	225	225
Common stock	75	75
Additional paid-in capital	300,951	166,155
Accumulated deficit	(382,022)	(108,418)
<b>Total stockholders' equity (deficit)</b>	<b>(80,771)</b>	<b>58,038</b>
<b>Total liabilities and stockholders' equity (deficit)</b>	<b>\$ 184,208</b>	<b>\$ 58,038</b>

*See accompanying notes to financial statements.*

**EARTHGRID PBC**  
**STATEMENTS OF OPERATIONS**

---

<b>For Fiscal Year Ended December 31,</b>	<b>2021</b>	<b>2020</b>
(USD \$ in Dollars)		
Net revenue	\$ 31,139	\$ 22,000
Cost of goods sold	-	-
Gross profit (loss)	31,139	22,000
Operating expenses		
General and administrative	304,743	19,963
Total operating expenses	304,743	19,963
Provision/(Benefit) for income taxes	-	-
<b>Net income (loss)</b>	<b>\$ (273,604)</b>	<b>\$ 2,038</b>

*See accompanying notes to financial statements.*

**EARTHGRID PBC**  
**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**

(in , \$US)	Preferred Stock		Common Stock		Additional Paid In Capital	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount			
Balance—December 31, 2019	2,250,000	\$ 225	750,000	\$ 75	\$ 166,155	\$ (110,455)	\$ 56,000
Net income	-	-	-	-	-	2,038	2,038
Balance—December 31, 2020	2,250,000	225	750,000	75	166,155	(108,418)	58,038
Contributions	-	-	-	-	134,796	-	134,796
Net loss	-	-	-	-	-	(273,604)	(273,604)
Balance—December 31, 2021	2,250,000	225	750,000	75	300,951	\$ (382,022)	\$ (80,771)

*See accompanying notes to financial statements.*

**EARTHGRID PBC**  
**STATEMENTS OF CASH FLOWS**

<b>For Fiscal Year Ended December 31,</b>	<b>2021</b>	<b>2020</b>
<i>(USD \$ in Dollars)</i>		
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net incme (loss)	\$ (273,604)	\$ 2,038
<i>Adjustments to reconcile net income (loss) to net cash provided used in operating activities:</i>		
<i>Changes in operating assets and liabilities:</i>		
Accounts receivable	(4,725)	-
Accounts payable and accrued expenses	39,836	-
<b>Net cash used in operating activities</b>	<b>(238,493)</b>	<b>2,038</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Due from related parties	(104,261)	-
Purchase of property and equipment	(5,111)	-
<b>Net cash used in investing activities</b>	<b>(109,372)</b>	-
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Due to related parties	225,143	-
Contributions	134,796	-
<b>Net cash provided by financing activities</b>	<b>359,938</b>	-
Change in cash	12,073	2,038
Cash—beginning of year	2,038	-
<b>Cash—end of year</b>	<b>\$ 14,111</b>	<b>\$ 2,038</b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid during the year for interest	\$ -	\$ -
Cash paid during the year for income taxes	\$ -	\$ -

*See accompanying notes to financial statements.*



**EARTHGRID PBC**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR YEAR ENDED TO DECEMBER 31, 2021 AND DECEMBER 31, 2020**

---

---

**1. NATURE OF OPERATIONS**

Earthgrid PBC (the “Company”) was formed as Red Gopher Cooperative on September 23, 2016 in the state of Delaware. The Company changed its name to Earthgrid PBC on June 29, 2020. The Company is a public benefit corporation.

EarthGrid has invented a plasma tunnel boring robots that are solar powered, use no water, have zero emissions, and can bore tunnels 100x faster at 1/10th the cost of conventional techniques. They are building a network of large, underground utility tunnels that improve infrastructure and rapidly accelerate the transition to 100% clean energy by enabling underground clean energy power lines, high-speed data, water, and wastewater, H2 pipelines, e-commerce parcel transportation via pneumatic tubes, etc. They have a BOOM (Build, Own, Operate and Manage) model, and intend to lease space to investment-grade utilities.

**2. 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 (“US GAAP”). The Company has adopted the calendar year as its basis of reporting.

**Use of Estimates**

The preparation of financial statements in conformity with United States GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of 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.

**Cash and Cash Equivalents**

Cash and cash equivalents include all cash in banks. The Company’s cash is deposited in demand accounts at financial institutions that management believes are creditworthy. The Company’s cash and cash equivalents in bank deposit accounts, at times, may exceed federally insured limits. As of December 31, 2021 and 2020, the Company’s cash and cash equivalents did not exceed FDIC insured limits.

**Accounts Receivable and Allowance for Doubtful Accounts**

Accounts receivable are recorded at net realizable value or the amount that the Company expects to collect on gross customer trade receivables. We estimate losses on receivables based on known troubled accounts and historical experience of losses incurred. Receivables are considered impaired and written-off when it is probable that all contractual payments due will not be collected in accordance with the terms of the agreement. As of December 31, 2021, and 2020, the Company determined that no reserve was necessary.

**Property and Equipment**

Property and equipment are stated at cost. Normal repairs and maintenance costs are charged to earnings as incurred and additions and major improvements are capitalized. The cost of assets retired or otherwise disposed of, and the related depreciation are eliminated from the accounts in the period of disposal and the resulting gain or loss is credited or charged to earnings.

**EARTHGRID PBC**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR YEAR ENDED TO DECEMBER 31, 2021 AND DECEMBER 31, 2020**

---

---

Depreciation is computed over the estimated useful lives of the related asset type or term of the operating lease using the straight-line method for financial statement purposes. As of December 31, 2021, the Company's property and equipment consisted primarily of a plasma heating system that was not yet placed in service.

**Impairment of Long-lived Assets**

Long-lived assets, such as property, equipment, and identifiable intangibles with finite useful lives, are periodically evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. We look for indicators of a trigger event for asset impairment and pay special attention to any adverse change in the extent or manner in which the asset is being used or in its physical condition. Assets are grouped and evaluated for impairment at the lowest level of which there are identifiable cash flows, which is generally at a location level. Assets are reviewed using factors including, but not limited to, our future operating plans and projected cash flows. The determination of whether impairment has occurred is based on an estimate of undiscounted future cash flows directly related to the assets, compared to the carrying value of the assets. If the sum of the undiscounted future cash flows of the assets does not exceed the carrying value of the assets, full or partial impairment may exist. If the asset carrying amount exceeds its fair value, an impairment charge is recognized in the amount by which the carrying amount exceeds the fair value of the asset. Fair value is determined using an income approach, which requires discounting the estimated future cash flows associated with the asset.

**Income Taxes**

The Company is a C corporation for income tax purposes. The Company accounts for income taxes under the liability method, and deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying values of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. A valuation allowance is provided on deferred tax assets if it is determined that it is more likely than not that the deferred tax asset will not be realized. The Company records interest, net of any applicable related income tax benefit, on potential income tax contingencies as a component of income tax expense. The Company records tax positions taken or expected to be taken in a tax return based upon the amount that is more likely than not to be realized or paid, including in connection with the resolution of any related appeals or other legal processes. Accordingly, the Company recognizes liabilities for certain unrecognized tax benefits based on the amounts that are more likely than not to be settled with the relevant taxing authority. The Company recognizes interest and/or penalties related to unrecognized tax benefits as a component of income tax expense.

**Concentration of Credit Risk**

The Company maintains its cash with a major financial institution located in the United States of America which it believes to be creditworthy. Balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At times, the Company may maintain balances in excess of the federally insured limits.

**Revenue Recognition**

The Company recognizes revenues in accordance with FASB ASC 606, revenue from contracts with customers, when delivery of goods is the sole performance obligation in its contracts with customers. The Company typically collects payment upon sale and recognizes the revenue when the item has shipped and has fulfilled its sole performance obligation.

**EARTHGRID PBC**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR YEAR ENDED TO DECEMBER 31, 2021 AND DECEMBER 31, 2020**

---

---

Revenue recognition, according to Topic 606, is determined using the following steps:

1) Identification of the contract, or contracts, with the customer: the Company determines the existence of a contract with a customer when the contract is mutually approved; the rights of each party in relation to the services to be transferred can be identified, the payment terms for the services can be identified, the customer has the capacity and intention to pay, and the contract has commercial substance.

2) Identification of performance obligations in the contract: performance obligations consist of a promised in a contract (written or oral) with a customer to transfer to the customer either a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

3) Recognition of revenue when, or how, a performance obligation is met: revenues are recognized when or as control of the promised goods or services is transferred to customers.

The Company has earned initial revenue from consulting services and use of its utilities. The revenue is recognized at the point in time the services are complete.

**Fair Value of Financial Instruments**

The carrying value of the Company's financial instruments included in current assets and current liabilities (such as cash and cash equivalents, restricted cash and cash equivalents, accounts receivable, accounts payable and accrued expenses approximate fair value due to the short-term nature of such instruments).

The inputs used to measure fair value are based on a hierarchy that prioritizes observable and unobservable inputs used in valuation techniques. These levels, in order of highest to lowest priority, are described below:

**Level 1**—Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities.

**Level 2**—Observable prices that are based on inputs not quoted on active markets but corroborated by market data.

**Level 3**—Unobservable inputs reflecting the Company's assumptions, consistent with reasonably available assumptions made by other market participants. These valuations require significant judgment.

**COVID-19**

In March 2020, the outbreak and spread of the COVID-19 virus was classified as a global pandemic by the World Health Organization. This widespread disease impacted the Company's business operations, including its employees, customers, vendors, and communities. The COVID-19 pandemic may continue to impact the Company's business operations and financial operating results, and there is substantial uncertainty in the nature and degree of its continued effects over time. The extent to which the pandemic impacts the business going forward will depend on numerous evolving factors management cannot reliably predict, including the duration and scope of the pandemic; governmental, business, and individuals' actions in response to the pandemic; and the impact on economic activity including the possibility of recession or financial market instability. These factors may adversely impact consumer and business spending on products as well as customers' ability to pay for products and services on an ongoing basis. This uncertainty also affects management's accounting estimates and assumptions, which could result in greater variability in a variety of areas that depend on these estimates and assumptions, including investments, receivables, and forward-looking guidance.

**EARTHGRID PBC**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR YEAR ENDED TO DECEMBER 31, 2021 AND DECEMBER 31, 2020**

---

---

**Subsequent Events**

The Company considers events or transactions that occur after the balance sheet date, but prior to the issuance of the financial statements to provide additional evidence relative to certain estimates or to identify matters that require additional disclosure. Subsequent events have been evaluated through September 21, 2022, which is the date the financial statements were issued.

**Recently Issued and Adopted Accounting Pronouncements**

FASB issued ASU No. 2019-02, leases, that requires organizations that lease assets, referred to as "lessees", to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases with lease terms of more than twelve months. ASU 2019-02 will also require disclosures to help investors and other financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases and will include qualitative and quantitative requirements. The new standard for nonpublic entities will be effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022, and early application is permitted. We are currently evaluating the effect that the updated standard will have on the financial statements and related disclosures.

The FASB issues ASUs to amend the authoritative literature in ASC. There have been a number of ASUs to date, including those above, that amend the original text of ASC. Management believes that those issued to date either (i) provide supplemental guidance, (ii) are technical corrections, (iii) are not applicable to us or (iv) are not expected to have a significant impact on our financial statements.

**3. PROPERTY AND EQUIPMENT**

As of December 31, 2021, and December 31, 2020, property and equipment consists of:

<b>As of Year Ended December 31,</b>	<b>2021</b>	<b>2020</b>
Computer equipment	\$ 5,111	\$ -
Plastma heating system	56,000	56,000
<b>Property and Equipment</b>	<b>\$ 61,111</b>	<b>\$ 56,000</b>

**4. CAPITALIZATION AND EQUITY TRANSACTIONS**

The Company is authorized to issue 3,000,000 shares of capital stock, with a \$0.0001 par value, consisting of Preferred and Common Stock.

As of December 31, 2021, and 2020, the Company had 2,250,000 shares of Preferred Stock issued and outstanding, and 750,000 shares of Common Stock issued and outstanding.

In 2021, the founding stockholder contributed \$134,796.

**EARTHGRID PBC**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR YEAR ENDED TO DECEMBER 31, 2021 AND DECEMBER 31, 2020**

---

---

**5. RELATED PARTY TRANSACTIONS**

During the year ended December 31, 2021, the Company provided advances to related parties (entities controlled by management and the founding shareholder) of \$104,261, all of which were outstanding on December 31, 2021.

During the year ended December 31, 2021, the Company received advances from related parties (entities controlled by management and the founding shareholder) of \$225,143, all of which were outstanding on December 31, 2021.

**6. INCOME TAXES**

The provision for income taxes for the year ended December 31, 2021, and December 31, 2020, consists of the following:

<b>As of Year Ended December 31,</b>	<b>2021</b>	<b>2020</b>
Net Operating Loss	\$ (81,644)	\$ -
Valuation Allowance	81,644	-
<b>Net Provision for income tax</b>	<b>\$ -</b>	<b>\$ -</b>

Significant components of the Company's deferred tax assets and liabilities on December 31, 2021, and December 31, 2020, are as follows:

<b>As of Year Ended December 31,</b>	<b>2021</b>	<b>2020</b>
Net Operating Loss	\$ (113,995)	\$ (81,644)
Valuation Allowance	113,995	81,644
<b>Total Deferred Tax Asset</b>	<b>\$ -</b>	<b>\$ -</b>

Management assesses the available positive and negative evidence to estimate if sufficient future taxable income will be generated to use the existing deferred tax assets. On the basis of this evaluation, the Company has determined that it is more likely than not that the Company will not recognize the benefits of the federal and state net deferred tax assets, and, as a result, full valuation allowance has been set against its net deferred tax assets as of December 31, 2021, and December 31, 2020. The amount of the deferred tax asset to be realized could be adjusted if estimates of future taxable income during the carryforward period are reduced or increased.

For the fiscal year ending December 31, 2021, the Company had cumulative net operating loss ("NOL") carryforwards of approximately \$382,000. Utilization of some of the federal and state NOL carryforwards to reduce future income taxes will depend on the Company's ability to generate sufficient taxable income prior to the expiration of the carryforwards. The federal net operating loss carryforward is subject to an 80% limitation on taxable income, does not expire, and will carry on indefinitely.

The Company recognizes the impact of a tax position in the financial statements if that position is more likely than not to be sustained on a tax return upon examination by the relevant taxing authority, based on the technical merits of the position. As of December 31, 2021, and December 31, 2020, the Company had no unrecognized tax benefits.

The Company recognizes interest and penalties related to income tax matters in income tax expense. As of December 31, 2021, and December 31, 2020, the Company had no accrued interest and penalties related to uncertain tax positions.

**EARTHGRID PBC**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR YEAR ENDED TO DECEMBER 31, 2021 AND DECEMBER 31, 2020**

---

---

## **7. COMMITMENTS AND CONTINGENCIES**

### **Contingencies**

The Company's operations are subject to a variety of local and state regulation. Failure to comply with one or more of those regulations could result in fines, restrictions on its operations, or losses of permits that could result in the Company ceasing operations.

### **Litigation and Claims**

From time to time, the Company may be involved in litigation relating to claims arising out of operations in the normal course of business. As of December 31, 2021, there were no pending or threatened lawsuits that could reasonably be expected to have a material effect on the results of the Company's operations.

## **8. SUBSEQUENT EVENTS**

The Company has evaluated subsequent events for the period from December 31, 2021, through September 21, 2022, which is the date the financial statements were available to be issued.

In 2022, the Company has raised approximately \$2,300,000 in pre-seed equity investments.

There have been no other events or transactions during this time which would have a material effect on these financial statements.

## **9. GOING CONCERN**

The accompanying 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 a net loss of \$273,604, an operating cash flow loss of \$238,493, and liquid assets in cash of \$14,111, which is less than a year's worth of cash reserves as of December 31, 2021. These factors normally raise doubt about the Company's ability to continue as a going concern.

The Company's ability to continue as a going concern in the next twelve months following the date the financial statements were available to be issued is dependent upon its ability to produce revenues and/or obtain financing sufficient to meet current and future obligations and deploy such to produce profitable operating results.

Management has evaluated these conditions and plans to generate revenues and raise capital as needed to satisfy its capital needs, of which \$2,300,000 were raised in 2022 in pre-seed equity investments. The Company plans to raise additional funds via a crowdfunding campaign.

There are no assurances that management will be able to raise capital on terms acceptable to the Company. If it is unable to obtain sufficient amounts of additional capital, it may be required to reduce the scope of its planned development, which could harm its business, financial condition, and operating results. The accompanying financial statements do not include any adjustments that might result from these uncertainties.