

# New 3D Technologies Inc.

Financial Statements and Report

July 31, 2022 and 2021

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# TESSERACT ADVISORY GROUP

## **Independent Accountant's Review Report**

Brad Gouldthorpe  
New 3D Technologies Inc.  
Rochester, NY

We have reviewed the accompanying financial statements of New 3D Technologies Inc. (the company), which comprise the balance sheets as of July 31, 2022 and 2021, and the related statements of income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the company's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### **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 financial statements that are free from material misstatement whether due to fraud or error.

### **Accountant's Responsibility**

Our responsibility is to conduct the review engagements in accordance with *Statements on Standards for Accounting and Review Services* promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting

whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

*We are required to be independent of New 3D Technologies Inc. (the Company) and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our reviews.*

### **Accountant's Conclusion**

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Philip Debaugh". The signature is written in a cursive style with a horizontal line extending from the end of the name.

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Philip Debaugh, CPA

OWINGS MILLS, MD  
November 23, 2022

**New 3D Technologies Inc.**  
**Balance Sheet**  
As of July 31, 2022 and 2021  
**"Unaudited"**

	Note	2022	2021
		\$	\$
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	1.f	\$ 4,234	\$ 38,501
Receivables	1.h	-	200,000
Employee Retention Credit receivable		-	35,572
Inventories	1.i	20,230	-
Other current assets		3,000	1,500
<b>Total Current Assets</b>		<b>27,464</b>	<b>275,573</b>
<b>Noncurrent Assets</b>			
Intangible assets, net	2	-	-
<b>Total Assets</b>		<b>27,464</b>	<b>275,573</b>
<b>Liabilities &amp; Stockholders' Equity</b>			
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued expenses	3	130,450	165,587
<b>Total Current Liabilities</b>		<b>130,450</b>	<b>165,587</b>
<b>Noncurrent Liabilities</b>			
PPP Loan	4	9,978	14,800
<b>Total Noncurrent Liabilities</b>		<b>9,978</b>	<b>14,800</b>
<b>Total Liabilities</b>		<b>140,428</b>	<b>180,387</b>
<b>Stockholders' Equity</b>			
Common Stock, 20,000,000 shares authorized, 10,040,334 and 9,984,684 shares outstanding at July 31, 2022 and 2021, respectively; par value of \$0.01	5	100,403	99,847
Stock Warrants		499,356	499,356
Additional paid-in capital		8,421,143	8,409,688
Accumulated Deficit		(9,133,866)	(8,913,705)
<b>Total Stockholders' Equity</b>		<b>(112,964)</b>	<b>95,186</b>
<b>Total Liabilities &amp; Stockholders' Equity</b>		<b>\$ 27,464</b>	<b>\$ 275,573</b>

**New 3D Technologies Inc.**  
Statement of Income  
For the years ended July 31, 2022 and 2021  
**"Unaudited"**

	Note	2022	2021
		\$	\$
Revenues	6	\$ 54,658	\$ 412,699
Cost of sales	1.m	5,000	36,995
<b>Gross Profit (Loss)</b>		49,658	375,704
<b>Operating Expenses</b>			
Salaries and wages		123,000	125,479
Legal and other professional fees and services		98,695	73,545
Advertising and promotion		34,186	48,145
Rent		12,410	14,892
Training		11,447	20,535
Payroll taxes		11,085	11,877
Office supplies		7,279	5,905
Other operating (income) expense		6,662	3,891
Insurance		6,310	5,912
Travel		3,489	1,024
Communications and information technology		2,606	2,252
Meals and entertainment		279	60
Taxes other than income taxes		175	500
Utilities		48	1,120
Intangible asset amortization		-	320
Fines and penalties		-	200
<b>Total Operating Expenses</b>		317,671	315,657
<b>Operating Income (Loss)</b>		(268,013)	60,047
<b>Other Income</b>			
Interest expense		(357)	-
Other income		66,515	51,794
<b>Total Other Income</b>		66,158	51,794
Income tax expense		18,306	-
<b>Net Income (Loss)</b>		\$ (220,161)	\$ 111,841

**New 3D Technologies Inc.**  
Statement of Changes in Stockholders' Equity  
For the years ended July 31, 2022 and 2021  
**"Unaudited"**

	Common Stock Shares	Common Stock Amount \$	Additional Paid-In Capital \$	Accumulated Deficit \$	Stock Warrants \$	Total Stockholders' Equity \$
Balance at August 1, 2020	9,962,117	\$ 99,621	\$ 8,409,688	\$ (9,025,546)	\$ 499,356	\$ (16,881)
Net income (loss)	-	-	-	111,841	-	111,841
Issuance of common stock	22,567	226	-	-	-	226
<b>Balance at July 31, 2021</b>	9,984,684	99,847	8,409,688	(8,913,705)	499,356	95,186
Net income (loss)	-	-	-	(220,161)	-	(220,161)
Issuance of common stock	55,650	556	11,455	-	-	12,011
<b>Balance at July 31, 2022</b>	10,040,334	\$ 100,403	\$ 8,421,143	\$ (9,133,866)	\$ 499,356	\$ (112,964)

**New 3D Technologies Inc.**  
**Statement of Cash Flows**  
For the years ended July 31, 2022 and 2021  
**"Unaudited"**

	2022	2021
	\$	\$
<b>Cash Flows</b>		
<b>Cash Flows From Operating Activities</b>		
Net income (loss)	\$ (220,161)	\$ 111,841
<b>Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by (Used in) Operating Activities</b>		
Depreciation and amortization	-	320
(Gain) loss on extinguishment of debt	-	(11,000)
<b>Total Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by (Used in) Operating Activities</b>	-	(10,680)
<b>(Increase) decrease in operating assets, net of effects of businesses acquired</b>		
Accounts receivable	200,000	(200,000)
Employee Retention Credit receivable	35,572	(35,572)
Inventories	(20,230)	-
Other assets	(1,500)	(1,225)
<b>Increase (decrease) in operating liabilities, net of effects of businesses acquired</b>		
Accounts payable and accrued liabilities	(29,137)	(98,128)
Related party payable	(6,000)	-
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>(41,456)</b>	<b>(233,764)</b>
<b>Cash Flows from Financing Activities</b>		
Repayment of debt	(4,822)	-
Proceeds from issuance of common stock	12,011	226
<b>Net Cash Provided by (Used in) Financing Activities</b>	<b>7,189</b>	<b>226</b>
<b>Net Increase (Decrease) in Cash, Cash Equivalents, and Restricted Cash</b>	<b>(34,267)</b>	<b>(233,538)</b>
Cash, cash equivalents, and restricted cash at beginning of year	38,501	272,039
<b>Cash, Cash Equivalents, and Restricted Cash at End of Year</b>	<b>4,234</b>	<b>38,501</b>

**Supplemental Cash Flow Information**

**Cash Paid During the Year for**

Interest	\$ 357	\$ -
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## **Notes to the Financial Statements**

**New 3D Technologies Inc.**  
Notes to the Financial Statements  
For the years ended July 31, 2022 and 2021

**1. Summary of significant accounting policies**

**a. Nature of operations**

New 3D Technologies Inc. (the Company) is a developer and manufacturer of digital display devices that show images in 3 dimensions without the need for special glasses or other viewing aids. The Company collects revenue from sales of product (display monitors or TV's) and contracts to build or refine existing products or explore development of new ones.

**b. Basis of accounting**

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as detailed in the Financial Accounting Standards Board's Accounting Standards Codification. The financial statements have been prepared on the accrual basis of accounting.

**c. Concentrations 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. The Federal Deposit Insurance Corporation insures balances up to \$250,000. At times, the Company may maintain balances in excess of the federally insured limits. The Company has not experienced any losses in these accounts.

**d. Use of estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could materially differ from those estimates.

**e. Fair value measurements**

Generally accepted accounting principles define fair value as the price that would be received to sell an asset or be paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price) and such principles also establish a fair value hierarchy that prioritizes

**New 3D Technologies Inc.**  
Notes to the Financial Statements  
For the years ended July 31, 2022 and 2021

the inputs used to measure fair value using the following definitions (from highest to lowest priority):

- Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
  
- Level 2 – Observable inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, including quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data by correlation or other means.
  
- Level 3 – Prices or valuation techniques requiring inputs that are both significant to the fair value measurement and unobservable.

Financial instruments consist principally of cash, accounts payable, accrued liabilities and other debt. The carrying amounts of such financial instruments in the accompanying balance sheets approximate their fair values due to their relatively short-term nature.

**f. Cash and cash equivalents**

Cash and cash equivalents includes short-term investments and highly liquid investments in money market instruments which are carried at the lower of cost and market value with a maturity date of three months or less from the acquisition date. These are valued at cost which approximates market value. The Company's cash is held in business checking and money market accounts.

**g. Income taxes**

The Company applies ASC 740 Income Taxes ("ASC 740"). Deferred income taxes are recognized for the tax consequences in future years of differences between the tax bases of assets and liabilities and their financial statement reported amounts at each period end, based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized. The provision for income taxes represents the tax expense for the period, if any and the change during the period in deferred tax assets and liabilities. ASC 740 also provides criteria for the recognition, measurement, presentation and disclosure of uncertain tax positions. A tax benefit from an uncertain position is recognized only if it is "more likely than not" that the position is sustainable upon examination

**New 3D Technologies Inc.**  
Notes to the Financial Statements  
For the years ended July 31, 2022 and 2021

by the relevant taxing authority based on its technical merit. The Company is subject to tax filing requirements as a corporation in the federal jurisdiction of the United States.

The Company uses a July 31 year end for income tax reporting purposes and files a Corporate tax return annually. The Company's provision for income taxes is based on the asset and liability method of accounting whereby deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. 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 a change in tax rates is recognized in income in the period that includes the enactment date. Deferred tax assets and liabilities are related to differences in calculating depreciation on fixed assets, timing of deductions for certain accrued expenses, and taxes related to net operating losses. Net operating losses will be carried forward to reduce taxable income in future years. Due to management's uncertainty as to the timing and valuation of any benefits associated with the net operating loss carryforwards, the Company has elected to recognize an allowance to account for them in the financial statements but has fully reserved it. Under current law, net operating losses may be carried forward indefinitely.

The following table outlines the estimated balances in deferred tax assets of the Company at July 31, 2022 and 2021:

Description	2022	2021
Deferred tax asset:	-	-
Net operating loss carryforward	\$ 2,911,951	\$ 3,446,898
Gross deferred tax asset	-	3,446,898
Valuation allowance	\$ (2,911,951)	\$ (3,446,898)
Deferred tax asset, net	-	-

**h. Receivables**

As of July 31, 2021 the Company had \$200,000 in receivables from its contract with the United States Airforce for completion of milestone objectives. Allowance for doubtful accounts is calculated based on the aging of the Company's accounts receivable, historical experience, current and future short-term business conditions and management judgment. The Company writes off accounts receivable against the allowance when the Company determines a balance is uncollectible and no longer actively pursues

**New 3D Technologies Inc.**  
Notes to the Financial Statements  
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collection of the receivable. As of July 31, 2021 management determined that no allowance was necessary for the receivable balance.

**i. Inventories**

Inventories consist of work-in-process and raw materials and are stated at the lower of cost or market.

**j. Long-lived asset impairment**

The Company reviews its long-lived assets, including finite-lived intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If such an event or change in circumstances is present, the Company will estimate the undiscounted future cash flows expected to result from the use of the asset and its eventual disposition. If the sum of the undiscounted future cash flows is less than the carrying amount of the related asset, the Company will record the asset at fair value and recognize an impairment loss in operating income.

At July 31, 2022, management was not aware of any other events or circumstances indicating the Company's long-lived assets would not be recoverable.

**k. Revenue recognition**

ASC Topic 606, "Revenue from Contracts with Customers" establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts to provide goods or services to customers. Revenues are recognized when control of the promised goods or services are transferred to a customer, in an amount that reflects the consideration that the Company expects to receive in exchange for those goods or services.

The Company applies the following five steps in order to determine the appropriate amount of revenue to be recognized as it fulfills its obligations under each of its agreements: 1) identify the contract with a customer; 2) identify the performance obligations in the contract; 3) determine the transaction price; 4) allocate the transaction price to performance obligations in the contract; and 5) recognize revenue as the performance obligation is satisfied.

The Company receives revenue through a number of methods, including sales of product, andd contracted development work building 3D monitors to meet unique needs. Contracts have been with government and commercial customers. Revenue is recognized upon completion of contracted milestone

**New 3D Technologies Inc.**  
Notes to the Financial Statements  
For the years ended July 31, 2022 and 2021

achievements and delivery of the final product. Revenue from product sales is recognized upon receipt of payment.

**I. Comprehensive income**

The Company does not have any comprehensive income items other than net income.

**m. Cost of sales**

Cost of sales includes product costs and items purchased for the construction of monitors associated with customer contracts and labor to support those contracts.

**2. Trademark intangible assets**

The Company's intangible assets consist of three patents that have been assigned a useful life of 20 years. The balance of these intangible assets is as follows as of July 31, 2021 and 2020.

	2022		2021
Patents	\$ 47,529	\$	47,530
Accumulated amortization	\$ (47,529)	\$	(47,530)
<b>Intangible assets, net</b>	<b>-</b>		<b>-</b>

**3. Accounts payable and accrued liabilities**

Accounts payable and accrued expenses consist of the following:

	2022		2021
	\$		\$
<b>Accounts payable and accrued expenses</b>			
Trade accounts payable	\$ 8,694	\$	36,386
Accrued credit card liabilities	1,002		22,547
Accrued payroll and related benefits	37,450		17,350
Compensation owed to deceased officer's estate	83,304		89,304
<b>Total</b>	<b>\$ 130,450</b>	<b>\$</b>	<b>165,587</b>

**New 3D Technologies Inc.**  
Notes to the Financial Statements  
For the years ended July 31, 2022 and 2021

**4. PPP Loan**

In May 2020, the Company received loan proceeds in the amount of \$25,800 under the Paycheck Protection Program (PPP) which was established as part of the Coronavirus Aid, Relief and Economic Security (CARES) Act and is administered through the Small Business Administration (SBA). During fiscal year 2021, the Company received notification from the SBA that they had been granted \$11,000 in forgiveness of the loan and has recorded forgiveness of the principal as Other Income for the year ended July 31, 2021. The Loan matures 5 years from the date of the first disbursement and bears interest at a rate of 1.00% per annum, payable monthly.

Principal repayments on the remaining balance of the PPP loan for the next five years are as follows:

	\$
2023	\$ 3,600
2024	3,600
2025	2,778
<b>Total</b>	<b>\$ 9,978</b>

**5. Stockholders' equity**

Under the articles of incorporation, the total number of Common Shares of stock that the Company shall have authority to issue is 20,000,000 shares with a \$0.01 par value per share.

As of July 31, 2022 and 2021 the total number Common Shares issued and outstanding was 10,040,334 and 9,984,684, respectively.

During 2014, the Company issued 226,966 warrants to shareholders. The warrants entitle the holder to purchase one share of common stock at an exercise price equal to \$0.05 per share at any time on or after the "Initial Exercise Date" and on or prior to the close of business on December 8, 2024.(the "Termination Date"). Management determined that the warrants are not callable for cash upon a fundamental transaction at the option of the holder and as such required classification as equity pursuant to ASC 480 "Distinguishing liabilities from Equity". In accordance with the accounting guidance, the outstanding warrants are recognized as equity on the balance sheet and are measured at their inception date fair value.

During 2016, the Company issued 285,720 to shareholders. The warrants entitle the holder to purchase

**New 3D Technologies Inc.**  
Notes to the Financial Statements  
For the years ended July 31, 2022 and 2021

one share of common stock at an exercise price equal to \$0.01 per share at any time on or after the "Initial Exercise Date" and on or prior to the close of business on January 12, 2026 (the "Termination Date"). The fair value of the warrant liabilities was measured using the Black-Scholes model.

Significant inputs into the model at the inception and reporting period measurement dates are as follows:

	<b>Input</b>
Stock Price	\$1.00
Average Exercise Price	\$0.0277
Average Time to Maturity (years)	6.52
Annual Risk-Free Interest Rate	3.15%
Annualized Volatility	33%
Fair Value of Warrants	\$0.974

During the years ending July 31, 2022, and 2021, none of the warrants have been exercised. The total number of outstanding warrants was 512,686 and the fair value of these warrants was \$499,356 at both July 31, 2022 and July 31, 2021.

## 6. Revenue

Revenues consist of the following for the fiscal years ending July 31, 2022 and 2021:

	<b>2022</b>	<b>2021</b>
	<b>\$</b>	<b>\$</b>
Product Sales	\$ 4,749	\$ 112,699
R&D Contract Revenue	49,909	300,000
<b>Total Revenue</b>	<b>\$ 54,658</b>	<b>\$ 412,699</b>

## 7. Other income

In November 2021, the Company was approved for a \$10,000 grant from Monroe County's "Fast Forward Monroe Program 2.0." The grant does not need to be repaid if it is used for expenses permitted under the CARES Act. The Company believes it has complied with the terms required under the grant's rules and has



**New 3D Technologies Inc.**  
Notes to the Financial Statements  
For the years ended July 31, 2022 and 2021

thus recognized the full amount as other income for the year ended July 31, 2022.

Other income also includes write offs related to debt that has been extinguished. The Company has written off various payables from vendors after being unable to confirm balances for greater than three years. Included within other income are also non-recurring sales of fully depreciated equipment.

### **8. Equity incentive plans**

The Company's Board of Directors adopted a revised Stock Option Grant Plan in 2020. The grants carry varying vesting schedules and all grants under this plan have an expiration date 10 years following the approval date. The Company accounts for stock options under ASC 718 (Stock Compensation). Under ASC 718, share-based compensation cost is measured at the grant date, based on the estimated fair value of the award, and is recognized as an item of expense ratably over the employee's requisite vesting period.

There is not a viable market for the Company's common stock to determine its fair value, therefore management is required to estimate the fair value to be utilized in the determining stock-based compensation costs. In estimating the fair value, management considers recent sales of its common stock to independent qualified investors, placement agents' assessments of the underlying common shares relating to our sale of preferred stock and validation by independent fair value experts. Considerable management judgment is necessary to estimate the fair value. Accordingly, actual results could vary significantly from management's estimates.

The Company's stock options were valued using the Black-Scholes pricing model with a range of inputs indicated below:

	<b>Input</b>
Expected life (years)	10
Risk-free interest rate	3.15%
Expected volatility	33%
Annual dividend yield	0.0

The risk-free interest rate assumption for options granted is based upon observed interest rates on the United States government securities appropriate for the expected term of the Company's employee stock options. The expected term of employee stock options is based on the expiration date of the grants. The Company determined the expected volatility assumption for options granted used was an estimate based

**New 3D Technologies Inc.**  
Notes to the Financial Statements  
For the years ended July 31, 2022 and 2021

on past performance of estimated stock value. The Company will continue to monitor relevant factors used to measure expected volatility for future stock option grants. The dividend yield assumption for options granted is based on the Company's history and expectation of dividend payouts. The Company has never declared or paid any cash dividends on its common stock, and the Company does not anticipate paying any cash dividends in the foreseeable future.

As no options have vested, the Company has not recognized any stock option expense for the years ended July 31, 2022 and 2021.

A summary of the Company's stock options activity is provided below:

	Total Options	Weighted Average Exercise Price	Aggregate Intrinsic Value	Weighted Average Remaining Contractual Term
Outstanding at beginning of the year	89,786	0.86	77,658	7.42
Granted	18,609	1.33	13,026	-
Exercised	-	-	-	-
Expired/Cancelled	-	-	-	-
Outstanding at July 31, 2021	108,395	0.88	90,684	7.62
Exercisable Options at July 31, 2021	108,395	0.88	90,684	7.62
Outstanding at beginning of the year	108,395	0.94	101,966	7.86
Granted	50,000	0.58	28,800	10.00
Exercised	6,000	0.86	5,160	6.67
Expired/Cancelled	-	-	-	-
Outstanding at July 31, 2022	152,395	0.82	125,606	8.56
Exercisable Options at July 31, 2022	152,395	0.82	(125,606)	8.56

## 9. Subsequent events

Management evaluated all activity of the Company through November 23, 2022 (the issuance date of the financial statements) and concluded that no other subsequent events have occurred that would require recognition in the financial statements or disclosure in the related notes to the financial statements.