

**LAWRENCEVILLE PLASMA PHYSICS, INC.  
D/B/A LPPFUSION, INC.**

**September 30, 2024**

**LAWRENCEVILLE PLASMA PHYSICS, INC.  
D/B/A LPPFUSION, INC.**

**For the Year Ended September 30, 2024**

**TABLE OF CONTENTS**

	Page
Independent Auditors' Report	1 - 2
Balance Sheet	3
Statement of Operations	4
Statement of Changes in Stockholders' Equity	5
Statement of Cash Flows	6
Notes to the Financial Statements	7 - 10



Certified Public Accountants, PC

[www.bkc-cpa.com](http://www.bkc-cpa.com)

---

## Independent Auditors' Report

Board of Directors  
Lawrenceville Plasma Physics, Inc.  
D/B/A LPPFusion, Inc.  
Middlesex, New Jersey

We have audited the accompanying financial statements of Lawrenceville Plasma Physics, Inc. (D/B/A LPPFusion, Inc.), which comprise the Balance Sheet as of September 30, 2024, and the related Statements of Operations, Cash Flows, and Changes in Stockholders' Equity for the year then ended, and the related Notes to the Financial Statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lawrenceville Plasma Physics, Inc. (D/B/A LPPFusion, Inc.) as of September 30, 2024, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### 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 of Lawrenceville Plasma Physics, Inc. (D/B/A LPPFusion, Inc.)'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### 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 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 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 Lawrenceville Plasma Physics, Inc. (D/B/A LPPFusion, Inc.)'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about of Lawrenceville Plasma Physics, Inc. (D/B/A LPPFusion, Inc.)'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.



**BKC, CPAS, PC**

February 3, 2025  
Flemington, New Jersey

**LAWRENCEVILLE PLASMA PHYSICS, INC.**  
**D/B/A LPPFUSION, INC.**  
**Balance Sheet**  
**September 30, 2024**

**ASSETS**

Current assets		
Cash		\$ 716,939
Noncurrent assets		
Property and equipment, net of accumulated depreciation of \$1,093,336		301,122
Right-of-use asset - operating leases		56,916
Total noncurrent assets		<u>358,038</u>
Total assets		<u><u>\$ 1,074,977</u></u>

**LIABILITIES AND STOCKHOLDERS' EQUITY**

Current liabilities		
Accounts payable and accrued expenses		\$ 37,646
Current portion of lease liability - operating leases		24,444
Total current liabilities		<u>62,090</u>
Long-term liabilities		
Lease liability - operating leases, net of current portion		33,950
Total liabilities		<u>96,040</u>
Stockholders' equity		
Capital stock		
Class A voting, no par value, 20 shares authorized, 20 shares issued and outstanding		1
Class B non-voting, no par value, 4,000,000 shares authorized, 3,338,106 shares issued and outstanding		11,576,773
Accumulated deficit		<u>(10,597,837)</u>
Total stockholders' equity		<u>978,937</u>
Total liabilities and stockholders' equity		<u><u>\$ 1,074,977</u></u>

See accompanying notes to the financial statements.

**LAWRENCEVILLE PLASMA PHYSICS, INC.**  
**D/B/A LPPFUSION, INC.**  
**Statement of Operations**  
**For the Year Ended September 30, 2024**

Operating expenses	
Salaries and wages	\$ 390,009
Payroll taxes	32,051
Employee benefits	49,696
Computer related expenses	43,018
Depreciation expense	56,532
Dues and subscriptions	4,583
Insurance	3,274
Materials and supplies	20,786
Travel	9,240
Rent expense	31,659
Telephone	9,749
Office expense	10,883
Advertising	3,500
Automobile	91
Professional fees	99,551
Finance charge	2,280
Total operating expenses	<u>766,902</u>
Other income (expense)	
Donation income	5,660
Interest income	85
Processing fees for crowdfunding	(43,307)
Total other income (expense)	<u>(37,562)</u>
Net loss before provision for income taxes	(804,464)
Provision for income taxes	<u>1,162</u>
Net loss	<u><u>\$ (805,626)</u></u>

See accompanying notes to the financial statements.

**LAWRENCEVILLE PLASMA PHYSICS, INC.**  
**Statement of Changes in Stockholders' Equity**  
**For the Year Ended September 30, 2024**

	<u>Class A Stock</u>		<u>Class B Stock</u>		<u>Accumulated</u>	<u>Total</u>
	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>	<u>Deficit</u>	<u>Stockholders'</u>
Balance at October 1, 2023	20	\$ 1	326,852	\$ 10,070,517	\$ (9,792,211)	\$ 386,711
Issuance of stock - October 1, 2023 - February 14, 2024	-	-	1,984	411,414	-	411,414
Issuance of stock - February 14, 2024 stock split	-	-	2,959,524	-	-	-
Issuance of stock - February 15, 2024 - September 30, 2024	-	-	49,746	1,094,842	-	1,094,842
Net loss	-	-	-	-	(805,626)	(805,626)
Balance at September 30, 2024	<u>20</u>	<u>\$ 1</u>	<u>3,338,106</u>	<u>\$ 11,576,773</u>	<u>\$ (10,597,837)</u>	<u>\$ 1,087,341</u>

See accompanying notes to the financial statements.

**LAWRENCEVILLE PLASMA PHYSICS, INC.**  
**D/B/A LPPFUSION, INC.**  
**Statement of Cash Flows**  
**For the Year Ended September 30, 2024**

Cash flows from operating activities	
Net loss	\$ (805,626)
Adjustments to reconcile net loss to net cash used in operating activities	
Depreciation	56,532
Non cash lease expense	23,734
Increase (decrease) in liabilities	
Accounts payable and accrued expenses	(13,830)
Principal repayments of lease liability - operating leases	(23,562)
Total adjustments	<u>42,874</u>
Net cash used in operating activities	<u>(762,752)</u>
Cash flows from investing activities	
Purchases of property and equipment	(41,429)
Cash flows from financing activities	
Proceeds from sale of capital stock	<u>1,506,256</u>
Net increase in cash	702,075
Cash - beginning of year	<u>14,864</u>
Cash - end of year	<u><u>\$ 716,939</u></u>

See accompanying notes to the financial statements.

**LAWRENCEVILLE PLASMA PHYSICS, INC.**  
**D/B/A LPPFusion, Inc.**  
**Notes to the Financial Statements**

Note 1 - Summary of significant accounting policies

Description of the Company

Lawrenceville Plasma Physics, Inc., D/B/A LPPFusion, Inc. (the Company), incorporated in 2003, is a research and development company. The Company's main technology is Focus Fusion, a fusion energy generator. This technology uses a Dense Plasma Focus device, fueled by hydrogen and boron, and converts energy directly into electricity.

The Company has already achieved major experimental milestones. Of the three factors that serve as an indicator of fusion energy yield (temperature, density, and confinement time), the Company has so far achieved adequate temperature and confinement time for net energy. It plans to carry out scientific experiments to demonstrate the scientific feasibility of its approach and develop a prototype fusion generator. The Company expects that it will achieve profitable operation after that time primarily by selling licenses for the manufacture of the generators and from the royalties from those licenses.

Use of estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and to disclose contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Property and equipment

Property and equipment are stated at cost. Repairs and maintenance costs are expensed, while additions and betterments are capitalized. Depreciation is being provided for principally by the straight-line method over estimated useful lives of the related assets.

	<u>Estimated Useful Life</u>
Leasehold improvements	39 years
Machinery and equipment	10 years
Software	3 years

Lease accounting

The Company adopted ASU 2016-02, Leases (Topic 842) effective October 1, 2022. The most significant change in the leasing guidance was the requirement to recognize right-to-use (ROU) assets and lease liabilities for operating leases on the balance sheet. The Company evaluates its leases for proper classification as either finance or operating lease when the annual lease cash payments are over \$5,000 per year. All other leases are considered immaterial or qualify for the short-term lease exclusion.

**LAWRENCEVILLE PLASMA PHYSICS, INC.**  
**D/B/A LPPFusion, Inc.**  
**Notes to the Financial Statements**

Note 1 - Summary of significant accounting policies (continued)  
Revenue recognition  
Revenue consists of subscription payments and sponsored research agreement provided by a non-profit organization.

Income taxes  
Deferred income taxes reflect the temporary differences in reporting assets and liabilities for income and financial accounting purposes. These temporary differences arise primarily from the recognition of accelerated depreciation for income tax purposes and net operating loss carryforwards.

With few exceptions, the Company is no longer subject to the U.S. Federal, state or local income tax examinations by tax authorities for years before 2020.

Note 2 - Concentration of credit risk  
The Company maintains its cash balances in several financial institutions, which are insured by the Federal Deposit Insurance Corporation (FDIC). From time to time, these cash balances may be in excess of the insurance limitation. At September 30, 2024, uninsured cash balances totaled approximately \$467,000.

Note 3 - Property and equipment  
Property and equipment as of September 30, 2024 is summarized as follows:

Leasehold improvements	\$	114,592
Software		22,681
Machinery and equipment		1,257,185
Total property and equipment		1,394,458
Less: accumulated depreciation		(1,093,336)
Property and equipment, net	\$	301,122

Depreciation expense for the year ended September 30, 2024 totaled \$56,532.

Note 4 - Patents  
The Company has been granted patents in the United States, Australia, Canada, China, and the European Union.

Note 5 - Stock option plan  
Pursuant to the Company's Stock Option Plan, the Company will issue from time to time, to employees, officers, directors and consultants of the Company, options to purchase shares of the Company's common stock.

**LAWRENCEVILLE PLASMA PHYSICS, INC.**  
**D/B/A LPPFusion, Inc.**  
**Notes to the Financial Statements**

Note 5 - Stock option plan (continued)

Options are granted with an exercise price equal to the fair value of the Company's stock at the date of the grant; the options generally vest immediately. The exercise price for the options range from \$10 to \$20. The options generally have ten-year contractual terms. The fair value of each option award was the market price of the stock as determined arbitrarily by the Management of the Company on the date of the issuance. At September 30, 2024, there were 70,540 options outstanding.

There was no compensation expense recorded for any of the options because Management of the Company, using qualitative inputs, has determined the fair value to be negligible.

Note 6 - Class B Stock

On February 14, 2024 the Company filed an amendment to its certificate of incorporation whereby each share of Class B Common Stock issued and outstanding was split into ten fully paid shares.

Note 7 - Lease arrangements

Effective February 1, 2022, the Organization entered a five-year contract for office space.

The Organization rents office facilities from a nonrelated party, Impact Associates, LLC. The lease calls for monthly payments of \$1,990 with a 2 percent escalation for each subsequent year, expiring February 2027.

The following summarizes the items on the balance sheet as of September 30, 2024:

Operating lease ROU assets	\$ <u>56,916</u>
Operating lease liabilities	
Current portion	24,444
Long-term portion	<u>33,950</u>
Total operating lease liabilities	\$ <u>58,394</u>

The Organization did not have the rate implicit in all the leases, as such they utilized the risk-free rate as the discount rate. The following summarizes other information related to the leases as of September 30, 2024:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	\$ 24,682
Weighted-average remaining lease term in years for operating leases	2.33
Weighted-average discount rate for operating leases	1.62%

**LAWRENCEVILLE PLASMA PHYSICS, INC.**  
**D/B/A LPPFusion, Inc.**  
**Notes to the Financial Statements**

Note 7 - Lease arrangements (continued)

Future minimum payments required under the operating leases are as follows for the years ended September 30:

2025		\$	25,176
2026			25,680
2027			8,616
Total minimum payments			59,472
Less: present value discount			(1,078)
Total lease liabilities		\$	58,394

Lease expense for the year ended September 30, 2024 totaled \$24,855.

Note 8 - Income taxes

The provision for income taxes for the year ended September 30, 2024, is as follows:

Current state taxes	\$	1,162
---------------------	----	-------

As of September 30, 2024, the Company has available a cumulative net operating loss carryforward of approximately \$10,580,000 and a general business credit of approximately \$280,000 which begins to expire in 2027 and a book to tax temporary difference of approximately \$170,000 arising from the recognition of accelerated depreciation for income tax purposes. Because of the more likely than not assessment that the deferred tax asset will not be used, an allowance equal to the amount of the deferred tax asset has been recorded.

Note 9 - Risk and uncertainties

The Company's activities are subject to significant risks and uncertainties, including failing to secure additional funding to operationalize the Company's current technology before another company develops similar technology.

Note 10 - Subsequent events

The Company's Management has determined that no material events or transactions occurred subsequent to September 30, 2024 and through February 3, 2025, the date of the Company's financial statement issuance, which require additional disclosure in the Company's financial statements.