**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 10-Q**

(Mark One)

**x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended: December 31, 2020**

Or

**¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from: \_\_\_\_\_\_\_\_\_\_\_\_\_ to \_\_\_\_\_\_\_\_\_\_\_\_\_**

|  |
| --- |
| **ADVANCED OXYGEN TECHNOLOGIES, INC.** |
| (Exact name of registrant as specified in its charter) |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Delaware** |  | **0-9951** |  | **91-1143622** |
| (State or Other Jurisdiction |  | (Commission |  | (I.R.S. Employer |
| of Incorporation) |  | File Number) |  | Identification No.) |

**C/O Crossfield, Inc., 653 VT Route 12A, PO Box 189, Randolph, VT 05060**

(Address of Principal Executive Offices) (Zip Code)

**(212) 727-7085**

(Registrant’s telephone number, including area code)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Title of Class |  | Trading Symbol |  | Name of each exchange on which registered |
| Common Stock, $0.01 Par Value |  | AOXY |  | OTC:PINK |

Securities registered under Section 12(g) of the Exchange Act: Common Stock, par value $.01 per share

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐   No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to section 13 or Section 15(d) of the Act. Yes ☐   No ☒

Indicate by check whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒   No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒   No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or emerging growth company. See the definitions of “large accelerated filer”, “an accelerated filer”, “smaller reporting company” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

|  |  |  |  |
| --- | --- | --- | --- |
| Large Accelerated Filer | ☐ | Accelerated Filer | ☐ |

|  |  |  |  |
| --- | --- | --- | --- |
| Non Accelerated Filer | ☒ | Smaller Reporting Company | ☒ |
| Emerging Growth Company | ☐ |  |  |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act. Check one: Yes ☐   No ☒

Indicate the number of shares outstanding of each of the issuer’s classes of common stock, as of the last practicable date: As of January 22, 2021, there were 3,292,945 issued and outstanding shares of the registrant’s Common Stock, $.01 par value.

Documents incorporated by reference: None.

**ADVANCED OXYGEN TECHNOLOGIES, INC.**

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**PART 1: FINANCIAL INFORMATION**

**Item I**: Condensed Consolidated Financial Statements for the three and six months ending December 31, 2020 (unaudited).

**ADVANCED OXYGEN TECHNOLOGIES, INC.**

**AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED BALANCE SHEETS**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **December 31, 2020** | |  |  | **June 30, 2020** | |  |
|  |  | **(Unaudited)** | |  |  |  | |  |
| **ASSETS** |  |  | |  |  |  | |  |
|  |  |  | |  |  |  | |  |
| CURRENT ASSETS |  |  |  |  |  |  |  |  |
| Cash |  | $ | 50,348 |  |  | $ | 43,603 |  |
| Property tax receivable |  |  | 1,315 |  |  |  | 1,202 |  |
| Total Current Assets |  |  | 51,663 |  |  |  | 44,805 |  |
|  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
| Property and equipment |  |  | 667,293 |  |  |  | 609,250 |  |
| TOTAL ASSETS |  | **$** | **718,956** |  |  | **$** | **654,055** |  |
|  |  |  |  |  |  |  |  |  |
| **LIABILITIES AND STOCKHOLDERS’ EQUITY** |  |  |  |  |  |  |  |  |
| CURRENT LIABILITIES |  |  |  |  |  |  |  |  |
| Accounts payable |  | $ | 1,050 |  |  | $ | - |  |
| Contract liabilities |  |  | 3,450 |  |  |  | 3,150 |  |
| Taxes payable |  |  | 47,498 |  |  |  | 36,030 |  |
| Current portion of notes payable |  |  | 145,848 |  |  |  | 144,211 |  |
| Advances from a related party |  |  | 120,852 |  |  |  | 120,271 |  |
| Total Current Liabilities |  |  | 318,698 |  |  |  | 303,662 |  |
|  |  |  |  |  |  |  |  |  |
| Long Term Liabilities |  |  |  |  |  |  |  |  |
| Notes payable, net of current portion |  |  | 38,952 |  |  |  | 44,416 |  |
| Total Long-term Liabilities |  |  | 38,952 |  |  |  | 44,416 |  |
|  |  |  |  |  |  |  |  |  |
| Total Liabilities |  |  | 357,650 |  |  |  | 348,078 |  |
|  |  |  |  |  |  |  |  |  |
| STOCKHOLDERS’ EQUITY- |  |  |  |  |  |  |  |  |
| Convertible preferred stock, Series 2, par value $0.01; authorized 10,000,000 shares; issued and outstanding 5,000 at December 31, 2020 and June 30, 2020 |  |  | 50 |  |  |  | 50 |  |
| Convertible preferred stock, Series 3, par value $0.01; authorized 1,670,000 shares; zero shares issued and outstanding |  |  | **-** |  |  |  | **-** |  |
| Convertible preferred stock, Series 5; no par value, 1 share authorized, zero shares issued and outstanding, respectively. |  |  | **-** |  |  |  | **-** |  |
| Common stock, par value $0.01; At December 31, 2020 and June 30, 2020, authorized 60,000,000 shares; issued and outstanding 3,292,945 shares and 3,292,945 shares. |  |  | 32,929 |  |  |  | 32,929 |  |
| Additional paid-in capital |  |  | 21,057,116 |  |  |  | 21,057,116 |  |
| Accumulated other comprehensive income |  |  | 97,829 |  |  |  | 43,226 |  |
| Accumulated deficit |  |  | (20,826,618 | ) |  |  | (20,827,344 | ) |
| TOTAL STOCKHOLDERS EQUITY’ |  |  | 361,306 |  |  |  | 305,977 |  |
| **TOTAL LIABILITIES AND STOCKHOLDERS’ EQUITY** |  | **$** | **718,956** |  |  | **$** | **654,055** |  |

**See accompanying notes to condensed unaudited consolidated financial statements.**

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**ADVANCED OXYGEN TECHNOLOGIES, INC.  
AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)**

**(Unaudited)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **For the three months ended December 31,** | | | | | |  |  | **For the six months ended December 31,** | | | | | |  |
|  |  | **2020** | |  |  | **2019** | |  |  | **2020** | |  |  | **2019** | |  |
| Revenues |  |  | |  |  |  | |  |  |  | |  |  |  | |  |
| Rent Revenues |  | $ | 10,284 |  |  | $ | 9,281 |  |  | $ | 20,613 |  |  | $ | 18,610 |  |
| Total Revenues |  |  | 10,284 |  |  |  | 9,281 |  |  |  | 20,886 |  |  |  | 18,610 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Operating Expenses |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| General and Administrative |  |  | 267 |  |  |  | 3,958 |  |  |  | 4,332 |  |  |  | 7,173 |  |
| Professional fees |  |  | 3,025 |  |  |  | 2,500 |  |  |  | 10,050 |  |  |  | 8,500 |  |
| Salaries and Wages |  |  | — |  |  |  | — |  |  |  | — |  |  |  | 113,000 |  |
| Total Operating Expenses |  |  | 3,292 |  |  |  | 6,458 |  |  |  | 14,375 |  |  |  | 128,673 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Income (Loss) from operations |  |  | 6,992 |  |  |  | 2,823 |  |  |  | 6,241 |  |  |  | (110,063 | ) |
| Other income (expenses) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Interest Expense |  |  | (698 | ) |  |  | (859 | ) |  |  | (1,435 | ) |  |  | (1,755 | ) |
| Income (Loss) before Income Taxes |  |  | 6,294 |  |  |  | 1,964 |  |  |  | 4,806 |  |  |  | (111,818 | ) |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Income Taxes Expense |  |  | 2,090 |  |  |  | 1,781 |  |  |  | 4,080 |  |  |  | 3,545 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| NET Income (Loss) |  | $ | 4,204 |  |  | $ | 183 |  |  | $ | 726 |  |  | $ | (115,363 | ) |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Weighted average number of common shares outstanding |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Basic |  |  | 3,292,945 |  |  |  | 3,292,945 |  |  |  | 3,292,945 |  |  |  | 2,836,423 |  |
| Dilutive |  |  | 3,302,945 |  |  |  | 3,292,945 |  |  |  | 3,302,945 |  |  |  | 2,836,423 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Basic earnings per share |  | $ | 0.00 |  |  | $ | 0.00 |  |  | $ | 0.00 |  |  | $ | (0.04 | ) |
| Dilutive earnings per share |  | $ | 0.00 |  |  | $ | 0.00 |  |  | $ | 0.00 |  |  | $ | (0.04 | ) |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| OTHER COMPREHENSIVE INCOME (LOSS) |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Net Income (LOSS) |  | $ | 4,204 |  |  | $ | 183 |  |  | $ | 726 |  |  | $ | (115,363 | ) |
| Foreign Currency Translation Adjustments |  | $ | 29,115 |  |  | $ | 15,431 |  |  | $ | 54,603 |  |  | $ | (7,537 | ) |
| TOTAL COMPREHENSIVE INCOME (LOSS) |  | $ | 33,319 |  |  | $ | 15,614 |  |  | $ | 55,329 |  |  | $ | (122,900 | ) |

**See accompanying notes to condensed unaudited consolidated financial statements.**

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**ADVANCED OXYGEN TECHNOLOGIES INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF STOCKHOLDERS’ EQUITY**

**Six-Month Period Ending December 31, 2020 and 2019 (Unaudited)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Preferred Stock Convertible Series 2** | | | | | |  |  | **Common Stock** | | | | | |  |  | **Additional Paid In** | |  |  | **Accumulated** | |  |  | **Accumulated**  **Other Comprehensive** | |  |  | **Total Stockholders'** | |  |
|  |  | **Shares** | |  |  | **Amount** | |  |  | **Shares** | |  |  | **Amount** | |  |  | **Capital** | |  |  | **Deficit** | |  |  | **Income** | |  |  | **Equity** | |  |
| **Balance at June 30, 2019** |  |  | 5,000 |  |  |  | 50 |  |  |  | 2,292,945 |  |  |  | 22,929 |  |  |  | 20,953,991 |  |  |  | (20,724,241 | ) |  |  | 48,198 |  |  |  | 297,748 |  |
| To Record the stock-based compensation issuance of 1,000,000 shares of common stock, par value $0.01 |  |  | — |  |  |  | — |  |  |  | 1,000,000 |  |  |  | 10,000 |  |  |  | 103,000 |  |  |  | — |  |  |  | — |  |  |  | 113,000 |  |
| Net loss |  |  | — |  |  |  | — |  |  |  | — |  |  |  | — |  |  |  | — |  |  |  | (115,363 | ) |  |  |  |  |  |  | (115,363 | ) |
| Foreign Currency Translation Adjustment |  |  | — |  |  |  | — |  |  |  | — |  |  |  | — |  |  |  | — |  |  |  | — |  |  |  | (7,537 | ) |  |  | (7,537 | ) |
| **Balance at December 31, 2019** |  |  | 5,000 |  |  |  | 50 |  |  |  | 3,292,945 |  |  |  | 32,929 |  |  |  | 21,056,991 |  |  |  | (20,839,604 | ) |  |  | 40,661 |  |  |  | 291,027 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Balance at June 30, 2020** |  |  | 5,000 |  |  |  | 50 |  |  |  | 3,292,945 |  |  |  | 32,929 |  |  |  | 21,057,116 |  |  |  | (20,827,344 | ) |  |  | 43,226 |  |  |  | 305,977 |  |
| Net loss |  |  | — |  |  |  | — |  |  |  | — |  |  |  | — |  |  |  | — |  |  |  | 726 |  |  |  | — |  |  |  | 726 |  |
| Foreign Currency Translation Adjustment |  |  | — |  |  |  | — |  |  |  | — |  |  |  | — |  |  |  | — |  |  |  | — |  |  |  | 54,603 |  |  |  | 54,603 |  |
| **Balance at December 31, 2020** |  |  | 5,000 |  |  |  | 50 |  |  |  | 3,292,945 |  |  |  | 32,929 |  |  |  | 21,057,116 |  |  |  | (20,826,618 | ) |  |  | 97,830 |  |  |  | 361,306 |  |

**See accompanying notes to condensed unaudited consolidated financial statements.**

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|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **ADVANCED OXYGEN TECHNOLOGIES INC. AND SUBSIDIARIES**  **CONSOLIDATED STATEMENTS OF STOCKHOLDERS’ EQUITY**  **Three-Month Period Ending December 31, 2020 and 2019**  **(Unaudited)** | | | | | | | | | | | | |
|  |  |  |  |  |  |  |  |  |  |  |  |  |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Preferred Stock Convertible Series 2** | | | | | |  |  | **Common Stock** | | | | | |  |  | **Additional Paid In** | |  |  | **Accumulated** | |  |  | **Accumulated**  **Other Comprehensive** | |  |  | **Total Stockholders'** | |  |
|  |  | **Shares** | |  |  | **Amount** | |  |  | **Shares** | |  |  | **Amount** | |  |  | **Capital** | |  |  | **Deficit** | |  |  | **Income** | |  |  | **Equity** | |  |
| **Balance at September 30, 2019** |  |  | 5,000 |  |  |  | 50 |  |  |  | 3,292,945 |  |  |  | 32,929 |  |  |  | 21,056,991 |  |  |  | (20,843,530 | ) |  |  | 25,230 |  |  |  | 275,413 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Net loss |  |  | — |  |  |  | — |  |  |  | — |  |  |  | — |  |  |  | — |  |  |  | 183 |  |  |  | — |  |  |  | 183 |  |
| Foreign Currency Translation Adjustment |  |  | — |  |  |  | — |  |  |  | — |  |  |  | — |  |  |  | — |  |  |  | — |  |  |  | 15,431 |  |  |  | 15,431 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Balance at December 31, 2019** |  |  | 5,000 |  |  |  | 50 |  |  |  | 3,292,945 |  |  |  | 32,929 |  |  |  | 21,056,991 |  |  |  | (20,839,604 | ) |  |  | 40,661 |  |  |  | 291,027 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Balance at September 30, 2020** |  |  | 5,000 |  |  |  | 50 |  |  |  | 3,292,945 |  |  |  | 32,929 |  |  |  | 21,057,116 |  |  |  | (20,830,822 | ) |  |  | 68,714 |  |  |  | 327,987 |  |
| Net loss |  |  | — |  |  |  | — |  |  |  | — |  |  |  | — |  |  |  | — |  |  |  | 4,204 |  |  |  | — |  |  |  | 4,204 |  |
| Foreign Currency Translation Adjustment |  |  | — |  |  |  | — |  |  |  | — |  |  |  | — |  |  |  | — |  |  |  | — |  |  |  | 29,115 |  |  |  | 29,115 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Balance at December 31, 2020** |  |  | 5,000 |  |  |  | 50 |  |  |  | 3,292,945 |  |  |  | 32,929 |  |  |  | 21,057,116 |  |  |  | (20,826,618 | ) |  |  | 97,829 |  |  |  | 361,306 |  |

**See accompanying notes to condensed unaudited consolidated financial statements.**

4

**ADVANCED OXYGEN TECHNOLOGIES, INC.**

**AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

**(Unaudited)**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **For the Six Months Ended December 31,** | | | | | |  |
|  |  | **2020** | |  |  | **2019** | |  |
| Cash flows from operating activities: |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
| Net Income (loss) |  | $ | 726 |  |  |  | (115,363 | ) |
| Adjustments to reconcile net income (loss) to net cash |  |  |  |  |  |  |  |  |
| Stock-based compensation |  |  | — |  |  |  | 113,000 |  |
| Expenses paid on behalf of the company by a related party |  |  | 12,690 |  |  |  | 11,726 |  |
| Accounts payable |  |  | 1,050 |  |  |  | 25 |  |
| Taxes payable |  |  | 7,967 |  |  |  | (629 | ) |
| Contract liabilities |  |  | — |  |  |  | 3,102 |  |
| Net cash provided by operating activities |  |  | 22,433 |  |  |  | 11,940 |  |
|  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |
| Cash flow from financing activities: |  |  |  |  |  |  |  |  |
| Repayment of related party debt |  |  | (9,945 | ) |  |  | (8,531 | ) |
| Repayment of long-term debt |  |  | (9,299 | ) |  |  | (8,546 | ) |
| Net cash used in financing activities |  |  | (19,244 | ) |  |  | (17,077 | ) |
| Change due to FX Translation |  |  | 3,556 |  |  |  | (580 | ) |
| **NET CHANGE IN CASH** |  |  | **6,745** |  |  |  | **(5,796** | **)** |
|  |  |  |  |  |  |  |  |  |
| Cash at beginning of period |  | $ | 43,603 |  |  | $ | 43,098 |  |
| Cash at end of period |  | $ | 50,348 |  |  | $ | 37,302 |  |
| Non-Cash Investing and Financing Activities |  |  |  |  |  |  |  |  |
| Cash paid for Interest |  |  | 1,435 |  |  |  | 1,756 |  |
| Cash paid for Income taxes |  |  | — |  |  |  | — |  |

**See accompanying notes to condensed unaudited consolidated financial statements.**

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**ADVANCED OXYGEN TECHNOLOGIES, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1- ORGANIZATION AND LINE OF BUSINESS:**

*Organization:*

Advanced Oxygen Technologies Inc, ("Advanced Oxygen Technologies", "AOXY", or the "Company"), was incorporated in Delaware in 1981 under the name Aquanautics Corporation and was, from 1985 until May 1995, a startup stage specialty materials company producing new oxygen control technologies. From May of 1995 through December of 1997 the Company had minimal operations and was seeking funding for operations and companies to which it could merge or acquire. In March of 1998 the Company began operations again in California. From 1998 through 2000, the business produced and sold CD- ROMS for conference events, advertisement sales on the CD's, database management and event marketing all associated with conference events. From 2000 through March of 2003, the business consisted solely of database management. From 2003 through April 2005, the business operations were derived totally from the Company's wholly owned business, IP Service, ApS, a Danish IP security vulnerability company ("IP Service"). Since then, business operations have been solely derived from its wholly owned subsidiaries Anton Nielsen Vojens, ApS ("ANV"), Sharx Inc. and its wholly owned subsidiary Sharx DK ApS (collectively “Sharx”).

*Lines of Business:*

Advanced Oxygen Technologies, Inc. operations are derived from its wholly owned subsidiaries Anton Nielsen Vojens, ApS ("ANV"), Sharx Inc. and its wholly owned subsidiary Sharx DK ApS (collectively “Sharx”).

ANV is a Danish company that owns commercial real estate in Vojens, Denmark. ANV's revenues are derived solely from the lease revenue from its real estate. Circle K Denmark A/S, formerly StatOil A/S, leases the facility from ANV. The lease expires in 2026.

Sharx Inc. is a Wyoming corporation incorporated in 2020 that owns Sharx DK ApS. Sharx Inc. operations are derived from its wholly owned subsidiary Sharx DK ApS. Sharx Inc. has no other operations and performs administrative functions for itself and its subsidiary.

Sharx DK ApS is a Danish company, incorporated in 2020. On June 30, 2020, Sharx DK ApS, entered into a Distribution Agreement with Cleaver ApS, a Danish corporation (“Cleaver”), whereby Cleaver has appointed the Company as Cleaver’s nonexclusive distributor of its products in Europe, South America and North America. Cleaver is a manufacturer of a line of products for the logistics and cargo industry.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

*Principles of Consolidation:*

The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries Anton Nielsen Vojens, ApS, Sharx Inc. and Sharx DK ApS, after elimination of all intercompany accounts, transactions, and profits.

*Basis of Presentation:*

The consolidated financial statements of the Company have been prepared in accordance with U.S. GAAP and are expressed in United States dollars. The Company’s fiscal year end is June 30.

*Revenue Recognition:*

Revenue from Contracts with Customers

For our rental revenue and commission revenue, we recognize revenue under the five steps in Topic 606, which are as follows: 1) identify the contract with the customer; 2) identify the performance obligations in the contract; 3) determine the transaction price; 4) allocate the transaction price to the performance obligations; and 5) recognize revenue when (or as) performance obligations are satisfied.

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**ADVANCED OXYGEN TECHNOLOGIES, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**

Rental Revenue

Rental revenue is derived from the Commercial Property lease in which quarterly payments are received pursuant to the property lease which is in effect until 2026. (See Note 3 for further details) and from the sale of product pursuant to a non-exclusive distribution agreement. We recognize revenue when we have satisfied a performance obligation by transferring control over a product or delivering a service to a client. We measure revenue based upon the consideration set forth in an arrangement or contract with a client. We recognize revenue from these services when the services are completed. If we are paid in advance for these services, we record such payment as deferred revenue until we complete the services. As of December 31, 2020, the Company recorded $3,450 of deferred revenue in connection to rental revenues.

Commission revenue

The Company recognizes commission revenue based on the five criteria for revenue recognition established under Topic 606: 1) identify the contract, 2) identify separate performance obligations, 3) determine the transaction price, 4) allocate the transaction price among the performance obligations, and 5) recognize revenue as the performance obligations are satisfied as set forth below.

The Company's source of commission revenue is from the Company’s subsidiary Sharx in which quarterly payments are received when the customer pre-pays or pays upon the date products are drop shipped from the manufacturer pursuant to a non-exclusive distribution agreement. At such time the products are drop shipped, the Company’s performance obligation has been satisfied and revenue is recorded. The Company has determined that it is an agent of the manufacturer and collects commission revenue at or before the delivery of product (See Note 3 for further details).

*Property and Equipment:*

Land is recognized at cost. Land is carried at cost less accumulated impairment losses.

*Foreign currency translation:*

Foreign currency transactions are translated applying the current rate method. Assets and liabilities are translated at current rates. Stockholders' equity accounts are translated at the appropriate historical rates and revenue and expenses are translated at weighted average rates for the year.

*Foreign currency transactions:*

The Company applies the guidelines as set out in Section 830-20-35 of the FASB Accounting Standards Codification (“Section 830-20-35”) for foreign currency transactions. Pursuant to Section 830-20-35 of the FASB Accounting Standards Codification, foreign currency transactions are transactions denominated in currencies other than U.S. Dollar, the Company’s reporting currency. Foreign currency transactions may produce receivables or payables that are fixed in terms of the amount of foreign currency that will be received or paid. A change in exchange rates between the reporting currency and the currency in which a transaction is denominated increases or decreases the expected amount of reporting currency cash flows upon settlement of the transaction. That increase or decrease in expected reporting currency cash flows is a foreign currency transaction gain or loss that generally shall be included in determining net income for the period in which the exchange rate changes. Likewise, a transaction gain or loss (measured from the transaction date or the most recent intervening balance sheet date, whichever is later) realized upon settlement of a foreign currency transaction generally shall be included in determining net income for the period in which the transaction is settled. The exceptions to this requirement for inclusion in net income of transaction gains and losses pertain to certain intercompany transactions and to transactions that are designated as, and effective as, economic hedges of net investments and foreign currency commitments. Pursuant to Section 830-20-25 of the FASB Accounting Standards Codification, the following shall apply to all foreign currency transactions of an enterprise and its investees: (a) at the date the transaction is recognized, each asset, liability, revenue, expense, gain, or loss arising from the transaction shall be measured and recorded in the functional currency of the recording entity by use of the exchange rate in effect at that date as defined in section 830-10-20 of the FASB Accounting Standards Codification; and (b) at each balance sheet date, recorded balances that are denominated in currencies other than the functional currency or reporting currency of the recording entity shall be adjusted to reflect the current exchange rate.

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**ADVANCED OXYGEN TECHNOLOGIES, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**

The Company’s wholly owned subsidiary ANV uses the Danish Krone, DKK as its reporting currency as well as its functional currency. The wholly owned subsidiary Sharx DK ApS uses the US Dollar as its reporting currency as well as its functional currency and from time to time has transactions in foreign currency. The change in exchange rates between the U.S. Dollar, the Company’s reporting and functional currency and the foreign currency, the currency in which a transaction is denominated increases or decreases the expected amount of reporting currency cash flows upon settlement of the transaction. That increase or decrease in expected reporting currency cash flows is a foreign currency transaction gain or loss that generally is included in determining net income (loss) for the period in which the exchange rate changes.

*Income Taxes:*

The Company accounts for income taxes under the asset and liability method of accounting. Under this method, deferred tax assets and liabilities are recognized for the 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. A valuation allowance is required when it is less likely than not that the Company will be able to realize all or a portion of its deferred tax assets. Because it is doubtful that the net operating losses of recent years will ever be used, a valuation allowance has been recognized equal to the tax benefit of net operating losses generated.

*Earnings per Share:*

Basic earnings per share is computed by dividing income available to common shareholders by the weighted-average number of common shares available. Diluted earnings per share is computed similar to basic earnings per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive. As of December 31, 2020, and December 31, 2019 there were 10,000 and 10,000 potential dilutive shares that need to be considered as common share equivalents and because of the net loss, the effect of these potential common shares is dilutive for the six-months ended December 31, 2020 and anti-dilutive for six-months ended December 31, 2019. For the three-months ended December 31, 2020 and three-months December 31, 2019 the effect of these potential common shares is dilutive.

*Cash and Cash Equivalents:*

For purposes of the statement of cash flows, the Company considers all highly-liquid investments purchased with original maturities of three months or less to be cash equivalents.

The Company maintains its cash in bank deposit accounts which, at December 31, 2020 did not exceed federally insured limits. The Company has not experienced any losses in such accounts and believes that it is not exposed to any significant credit risk on such amounts.

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**ADVANCED OXYGEN TECHNOLOGIES, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**

*Stock-Based Compensation:*

The Company records stock-based compensation in accordance with ASC 718, Compensation. All transactions in which goods or services are the consideration received for the issuance of equity instruments are accounted for based on the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measurable. Equity instruments issued to employees and the cost of the services received as consideration are measured and recognized based on the fair value of the equity instruments issued and are recognized over the employees required service period, which is generally the vesting period.

*Estimates:*

The preparation of the condensed consolidated financial statements in conformity with generally accepted accounting principles 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 condensed consolidated financial statements, as well as the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

*Concentrations of Credit Risk:*

Financial instruments that potentially subject the Company to major credit risk consist principally of a single subsidiary of Anton Nielsen Vojens ApS. ANV’s rent revenues are derived from one customer. The Company’s commission revenues are subject to concentration risk as the commission revenues are derived from one product, and one customer, but that should not be the case going forward.

*Leases:*

On July 1, 2019 we adopted the new lease accounting guidance in Topic 842. As the lessor, we have elected the package of practical expedients permitted in Topic 842. Accordingly, we have accounted for our existing leases as operating leases under the new guidance, without reassessing (a) whether the contract contains a lease under Topic 842, (b) whether classification of the operating lease would be different in accordance with Topic 842, or (c) whether the unamortized initial direct costs before transition adjustments (as of December 31, 2018) would have met the definition of initial direct costs in Topic 842 at lease commencement. Additionally, as the lessor, we will use hindsight in determining the lease term.

Upon adoption of Topic 842, lessees and lessors are required to apply a modified retrospective transition approach. Reporting entities are permitted to choose one of two methods to recognize and measure leases within the scope of Topic 842:

|  |  |  |
| --- | --- | --- |
|  | ● | Apply Topic 842 to each lease that existed at the beginning of the earliest comparative period presented in the financial statements as well as leases that commenced after that date. Under this method, prior comparative periods presented are adjusted. For leases that commenced prior to the beginning of the earliest comparative period presented, a cumulative-effect adjustment is recognized at that date. |

|  |  |  |
| --- | --- | --- |
|  | ● | Apply the guidance to each lease that had commenced as of the beginning of the reporting period in which the entity first applies the lease standard with a cumulative-effect adjustment as of that date. Prior comparative periods would not be adjusted under this method. |

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**ADVANCED OXYGEN TECHNOLOGIES, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**

Topic 842 requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases and operating leases. Based on our election of the package of practical expedients, our existing commercial leases, where we are the lessor, continue to be accounted for as operating leases under the new standard. However, Topic 842 changed certain requirements regarding the classification of leases that could result in us recognizing certain long-term leases entered into or modified after July 1, 2019 as sales-type leases or finance leases, as opposed to operating leases. We will continue to monitor our leases following the adoption date to ensure that they are classified in accordance with the new lease standards.

We elected a practical expedient which allows lessors to not separate non-lease components from the lease component when the timing and pattern of transfer for the lease components and non-lease components are the same and if the lease component is classified as an operating lease. As a result, we now present all rentals and reimbursements from tenants as a single line item, Rental, within the consolidated financial statements of operations.

The Company leases land to a customer. The Company determines if an arrangement contains a lease at contract inception. An arrangement is or contains a lease if the agreement identifies an asset, implicitly or explicitly, that the Customer has the right to use over a period of time. If an arrangement contains a lease, the Company classifies the lease as either an operating lease or as a finance lease based on the five criteria defined inASC 842.

Lease liabilities are recognized at commencement date based on the present value of the remaining lease payments over the lease term. The corresponding right-of-use asset is recognized for the same amount as the lease liability adjusted for any payments made at or before the commencement date, any lease incentives received, and any initial direct costs. The Company’s lease agreements may include options to renew, extend or terminate the lease. These clauses are included in the initial measurement of the lease liability when at lease commencement the Company is reasonably certain that it will exercise such options. The discount rate used is the interest rate implicit in the lease or, if that cannot be readily determined, the Company's incremental borrowing rate.

Operating lease expense is recognized on a straight-line basis over the lease term and presented within cost of sales on the Company’s consolidated statements of operations. Finance lease right-of-use assets are amortized on a straight-line basis over the shorter of the useful life of the asset or the lease term. Interest expense on the finance lease liability is recognized using the effective interest rate method and is presented within interest expense on the Company’s consolidated statements of operations and comprehensive income. Variable rent payments related to both operating and finance leases are expensed as incurred. The Company’s variable lease payments primarily consists of real estate taxes, maintenance and usage charges. The Company made an accounting policy election to combine lease and non-lease components.

The Company has elected to exclude short-term leases from the recognition requirements of ASC 842. A lease is short-term if, at the commencement date, it has a term of less than or equal to one year. Lease expense related to short-term leases is recognized on a straight-line basis over the lease term.

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**ADVANCED OXYGEN TECHNOLOGIES, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**

*New Accounting Pronouncements already adopted:*

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820), Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurements.*This ASU includes additional disclosures requirements for recurring Level 3 fair value measurements including disclosure of changes in unrealized gains and losses for the period included in other comprehensive income, disclosure of the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements and narrative description of measurement uncertainty related to Level 3 measurements. The Company adopted this Fair Value Measurement and it has not had a material impact on the Company’s financial statements.

In August 2018, the FASB issued ASU 2018-13, “Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement.” ASU 2018-13 modifies the fair value measurements disclosures with the primary focus to improve effectiveness of disclosures in the notes to the financial statements that is most important to the users. The new guidance modifies the required disclosures related to the valuation techniques and inputs used, uncertainty in measurement, and changes in measurements applied. ASU 2018-13 was effective for the Company for its fiscal year beginning July 1, 2020. The Company assessed the impact of the new guidance and believes that there wasn’t any material effect on the Company’s financials.

*New Accounting Pronouncements Not Yet Adopted*

In December 2019, the FASB issued ASU No. 2019-12, *Income Taxes (Topic 740)—Simplifying the Accounting for Income Taxes*. ASU 2019-12 is intended to simplify accounting for income taxes. It removes certain exceptions to the general principles in Topic 740 and amends existing guidance to improve consistent application. ASU 2019-12 is effective for fiscal years beginning after December 15, 2020 and interim periods within those fiscal years, which is fiscal 2022 for us, with early adoption permitted. We do not expect adoption of the new guidance to have a significant impact on our financial statements.

Other recent accounting pronouncements issued by the FASB did not or are not believed by management to have a material impact on the Company's present or future financial statements.

**NOTE 3 - REVENUE:**

The Company's subsidiary, Anton Nielsen Vojens, ApS has one customer who is a non-related party and leases property from the Company. Rent revenues related to the operating lease are recognized as incurred. The Company’s subsidiary Sharx DK ApS derived its commission revenues from the sales of cargo security product from one customer. The Company has determined that it is an agent of the manufacturer and collects commission revenue at or before the delivery of product.

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**ADVANCED OXYGEN TECHNOLOGIES, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**

The Company disaggregates revenues by revenue type and geographic location. See the below tables:

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Three Months Ended December 31,** | | | | | |  |
| **Revenue Type** |  | **2020** | |  |  | **2019** | |  |
| Real Estate Rental |  | $ | 10,284 |  |  | $ | 9,281 |  |
| Commission Revenues |  |  | - |  |  |  | - |  |
| **Total Sales by Revenue Type** |  | **$** | **10,284** |  |  | **$** | **9,281** |  |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Six Months Ended December 31,** | | | | | |  |
| **Revenue Type** |  | **2020** | |  |  | **2019** | |  |
| Real Estate Rental |  | $ | 20,613 |  |  | $ | 18,610 |  |
| Commission Revenues |  |  | - |  |  |  | - |  |
| **Total Sales by Revenue Type** |  | **$** | **20,613** |  |  | **$** | **18,610** |  |

The Company’s derives 100% of its revenue from foreign customers. For the period ending December 31, 2020 and December 31, 2019 the revenue concentrations were as follows:

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Geographic Regions for the Three Months Ended December 31,** | | | | | |  |
| **Revenue Type** |  | **2020** | |  |  | **2019** | |  |
| International |  | $ | 10,284 |  |  | $ | 9,281 |  |
| Domestic |  |  | - |  |  |  | - |  |
| **Total Sales by Geographic Location** |  | **$** | **10,284** |  |  | **$** | **9,281** |  |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Geographic Regions for the Six Months Ended December 31,** | | | | | |  |
| **Revenue Type** |  | **2020** | |  |  | **2019** | |  |
| International |  | $ | 20,613 |  |  | $ | 18,610 |  |
| Domestic |  |  | - |  |  |  | - |  |
| **Total Sales by Geographic Location** |  | **$** | **20,613** |  |  | **$** | **18,610** |  |

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**ADVANCED OXYGEN TECHNOLOGIES, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**NOTE 4–PROPERTY AND EQUIPMENT:**

The Land owned by the Company's wholly owned subsidiary constitutes the largest asset of the Company. During the period ending December 31, 2020 the Company recorded an increase in the carrying value of the Land of $58,043, due to the currency translation difference. The carrying value of the Land of the Company was as follows:

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Carrying Value of**  **Land at** | | | | | |  |
|  |  | **December 31, 2020** | |  |  | **June 30, 2020** | |  |
| US Dollars |  | $ | 667,293 |  |  | $ | 609,250 |  |

**NOTE 5 - RELATED PARTY TRANSACTIONS:**

Crossfield, Inc., a company of which the CEO, Robert Wolfe is an officer and director, has made advances to the Company which are not collateralized, non-interest bearing, and payable upon demand; however, the Company does not expect to make payment within one year. At December 31, 2020 and June 30, 2020, the Company had a balance of $120,852 and $120,271 respectively. During the six-month period ended December 31, 2020 and December 31, 2019 expenses paid on behalf of the Company were $12,690 and $11,726 respectively. The Company repaid $9,945 and $8,531 of the advancement during the six months ending December 31, 2020 and 2019, respectively.

**NOTE 6 - NOTES PAYABLE:**

During 2006, the Company issued a promissory note (“Note”) for $650,000, payable to the Borkwood Development Ltd, a previous shareholder of the Company (“Seller”), payable and amortized monthly and carrying an interest at 5% per year. The Company has the right to prepay the note at any time with a notice of 14 days. To secure the payment of principal and interest the Sellers will receive a perfect lien and security interest in the Shares in the company ANV until the note with accrued interest is paid in full, and, in the case that the Note has not been repaid within 12 months from the day of closing the Sellers have the right to convert the debt to common stock of Advanced Oxygen Technologies, Inc. in an amount of non-diluted shares calculated on the conversion Date, equal to the lesser of : a) Six hundred and Fifty thousand $(650,000) or the Purchase Price minus the principal payments made by the buyer, whichever is greater, divided by the previous ten day closing price of AOXY as quoted on the national exchange, or b) Fifteen million shares, whichever is lesser. The Note has been extended until July 1, 2021, prior to period end and interest waived through the period ending June 30, 2021. Due to the extension, the note is not in default and therefore not convertible as of December 31, 2020. As of December 31, 2020, the unpaid balance was $127,029.

The Company has a note payable with a bank. The original amount of the note was kr 1,132,000 Danish Krone (kr). The note is secured by the subsidiary’s real estate, with a 2.00% interest rate and 3 years remaining on the term. The balance on the note as of December 31, 2020 was $57,772. During the period ended December 31, 2020, the Company paid $9,299 in principal payments and $1,496 in interest.

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**ADVANCED OXYGEN TECHNOLOGIES, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**

The Company’s commitments and contingencies are $136,821 for 2020. See below tablefor the years 2020 through 2024 with total principal payments due on outstanding notes payable of $184,800. The amounts stated reflect the Company’s commitments in the currencies that those commitments were made, and the amounts are an estimate of what the US dollar amount would be if the currency rates did not change.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Year** |  | **Amount** | |  |
| 2021 |  | $ | 136,821 |  |
| 2022 |  |  | 19,881 |  |
| 2023 |  |  | 20,282 |  |
| 2024 |  |  | 7,815 |  |
| Total |  | $ | 184,800 |  |
| Less: Long-term portion of notes payable |  |  | (38,952 | ) |
| Notes payable, current portion |  | $ | 145,848 |  |

The amounts stated in this note reflect the Company’s commitments in the currencies that those commitments were made and the amounts are an estimate of what the US dollar amount would be if the currency rates did not change going forward.

**NOTE 7 - STOCKHOLDERS’ EQUITY:**

Common Stock:

On September 23, 2019 the Company entered into a Stock Grant and Investment Agreement with Robert Wolfe, its CEO and a Director (“Wolfe”) whereby the Company has granted 1,000,000 shares (the “Shares”) of common stock of the Company, with a fair value of $113,000 based on the trading price of the stock on the date of issuance of $0.11. The shares were issued for services rendered by Wolfe to the Company and which Shares are deemed irrevocably and fully earned and vested as of the date thereof. The Shares have been issued in reliance upon the exemption from registration pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended.

Preferred Stock:

Series 2 Convertible Preferred Stock:

The Company is authorized to issue 10,000,000 shares of $0.01 par value of series 2 convertible preferred stock. Each Series 2 preferred share also includes one warrant to purchase two common shares for $5.00. The warrants are exercisable over a three-year period. In the event of the liquidation of the Company, holders of Series 2 preferred stock would be entitled to receive $5.00 per share, plus any unpaid dividends declared on the Series 2 preferred stock from the funds remaining after the Company's creditors, including directors, have been paid. There have been no dividends declared. There are 177,000 Series 2 Convertible Preferred shares designated. During November 1997, 172,000 shares of Series 2 preferred stock were converted into 344,000 shares of the Company's common stock. As of December 31, 2020, and June 30, 2020 there are 5,000 shares issued, which are convertible into 2 common shares. There are no warrants outstanding that have been issued in connection with these preferred shares.

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**ADVANCED OXYGEN TECHNOLOGIES, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**

Series 3 Convertible Preferred Stock:

The Company has designated 1,670,000 shares of series 3 convertible preferred stock with a par value $0.01. Each share automatically converts on March 2, 2000 into either (a) one (1) share of the Company's common stock if the average closing price of the common stock during the ten trading days immediately prior to March 1, 2000 is equal to or greater than sixty-six cents ($0.66) per share, or (b) one and one-half (1 1/2) shares of common stock if the average closing price of the common stock during the ten trading days immediately prior March 1, 2000 is less than sixty-six cents ($0.66) per share. There are zero shares issued and outstanding at December 31, 2020 and June 30, 2020.

Series 5 Convertible Preferred Stock:

The Company has designated 1 share of series 5 convertible preferred stock, no par value. There is 1 Series 5 Convertible Preferred shares designated. The shares are collectively convertible to common stock of the Company, in an amount equal to the greater of a.)290,000 shares divided by the ten day closing price, prior to the date of acquisition of IPS, of the Company's common stock as quoted on the national exchange and not to exceed twenty million shares, or b.) six million shares. There are zero shares issued and outstanding at December 31, 2020 and June 30, 2020.

**NOTE 8 - Segment and Geographic Information**

***Segment Performance***

We have three reporting segments:

|  |  |  |
| --- | --- | --- |
|  | ● | The ANV lease segment which leases land in Denmark by long term leases. |

|  |  |  |
| --- | --- | --- |
|  | ● | The Sharx’s segment which generate commissions for the sale cargo security products. |

|  |  |  |
| --- | --- | --- |
|  | ● | The Corporate segment, Advanced Oxygen Technologies, Inc. which does not generate revenues, but has administrative expenses. |

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**ADVANCED OXYGEN TECHNOLOGIES, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**

The following table summarizes financial information regarding each reportable segment’s results of operations for the periods presented:

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Six Months Ending December 31,** | | | | | |  |
|  |  | **2020** | |  |  | **2019** | |  |
|  |  |  | |  |  |  | |  |
| **Revenue by segment** |  |  |  |  |  |  |  |  |
| Lease revenues |  | $ | 20,613 |  |  | $ | 18,610 |  |
| Commission revenues from security product sales |  |  | - |  |  |  | - |  |
| Corporate revenues |  |  | - |  |  |  | - |  |
| Total revenue |  | $ | 20,613 |  |  | $ | 18,610 |  |
|  |  |  |  |  |  |  |  |  |
| **Segment profitability** |  |  |  |  |  |  |  |  |
| Lease revenues |  | $ | 14,357 |  |  | $ | 9,390 |  |
| Commission revenues from security product sales |  |  | - |  |  |  | - |  |
| Corporate revenues |  |  | 14,357 |  |  |  | (124,753 | ) |
| Total segment profitability |  | $ | 14,357 |  |  | $ | (124,753 | ) |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Three Months Ending December 31,** | | | | | |  |
|  |  | **2020** | |  |  | **2019** | |  |
|  |  |  | |  |  |  | |  |
| **Revenue by segment** |  |  |  |  |  |  |  |  |
| Lease revenues |  | $ | 10,284 |  |  | $ | 9,281 |  |
| Commission revenues from security product sales |  |  | - |  |  |  | - |  |
| Corporate revenues |  |  | - |  |  |  | - |  |
| Total revenue |  | $ | 10,284 |  |  | $ | 9,281 |  |
|  |  |  |  |  |  |  |  |  |
| **Segment profitability** |  |  |  |  |  |  |  |  |
| Lease revenues |  | $ | 4,204 |  |  | $ | 183 |  |
| Commission revenues from security product sales |  |  | - |  |  |  | - |  |
| Corporate revenues |  |  | 4,204 |  |  |  | 183 |  |
| Total segment profitability |  | $ | 4,204 |  |  | $ | 183 |  |

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**ADVANCED OXYGEN TECHNOLOGIES, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**

The following table presents net sales, based on the location in which the sale originated, and long-lived assets, representing property, plant and equipment, net of related depreciation, by geographic region. All of the assets are land that are held by the Company’s subsidiary, ANV.

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| *Three Months Ending December 31:* |  | **2020** | |  |  | **2019** | |  |
| **Net Sales** |  |  |  |  |  |  |  |  |
| United States |  | $ | - |  |  | $ | - |  |
| Denmark |  |  | 10,284 |  |  |  | 9,281 |  |
| Total |  | $ | 10,284 |  |  | $ | 9,281 |  |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| *As of December 31, 2020 and June 30, 2020* |  | **Dec 31, 2020** | |  |  | **June 30, 2020** | |  |
| **Long-Lived Assets** |  |  |  |  |  |  |  |  |
| United States |  | $ | - |  |  | $ | - |  |
| Denmark |  |  | 667,293 |  |  |  | 609,250 |  |
| Total |  | $ | 667,293 |  |  | $ | 609,250 |  |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| *Six Months Ending December 31:* |  | **2020** | |  |  | **2019** | |  |
| **Net Sales** |  |  |  |  |  |  |  |  |
| United States |  | $ | - |  |  | $ | - |  |
| Denmark |  |  | 20,613 |  |  |  | 18,610 |  |
| Total |  | $ | 20,613 |  |  | $ | 18,610 |  |

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**ADVANCED OXYGEN TECHNOLOGIES, INC.**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Three Months Ending December 31, 2020** | | | | | | | | | | | | | | | | |
|  |  | **ANV** | |  |  | **Sharx** | |  |  | **Corporate** | |  |  | **Total** | |  |
|  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |
| Net sales |  | $ | 10,284 |  |  | $ | (1 | ) |  | $ | - |  |  | $ | 10,284 |  |
| Operating income (loss) |  | $ | 10,058 |  |  | $ | (42 | ) |  | $ | (3,025 | ) |  | $ | 6,992 |  |
| Interest expense |  | $ | (698 | ) |  | $ | - |  |  | $ | - |  |  | $ | (698 | ) |
| Total assets |  | $ | 711,184 |  |  | $ | 7,622 |  |  | $ | 150 |  |  | $ | 718,956 |  |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Three Months Ending December 31, 2019** | | | | | | | | | | | | | | | | |
|  |  | **ANV** | |  |  | **Sharx** | |  |  | **Corporate** | |  |  | **Total** | |  |
|  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |
| Net sales |  | $ | 9,281 |  |  | $ | - |  |  | $ | - |  |  | $ | 9,281 |  |
| Operating (loss) income |  | $ | 5,776 |  |  | $ | - |  |  | $ | (2,953 | ) |  | $ | 2,823 |  |
| Interest expense |  | $ | (859 | ) |  | $ | - |  |  | $ | - |  |  | $ | (859 | ) |
| Total assets |  | $ | 644,911 |  |  | $ | - |  |  | $ | 147 |  |  | $ | 645,055 |  |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Six Months Ending December 31, 2020** | | | | | | | | | | | | | | | | |
|  |  | **ANV** | |  |  | **Sharx** | |  |  | **Corporate** | |  |  | **Total** | |  |
|  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |
| Net sales |  | $ | 20,613 |  |  | $ | 273 |  |  | $ | - |  |  | $ | 20,613 |  |
| Operating income (loss) |  | $ | 19,839 |  |  | $ | 140 |  |  | $ | (13,740 | ) |  | $ | 6,241 |  |
| Interest expense |  | $ | (1,435 | ) |  | $ | - |  |  | $ | - |  |  | $ | (1,435 | ) |
| Total assets |  | $ | 711,184 |  |  | $ | 7,622 |  |  | $ | 150 |  |  | $ | 718,956 |  |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Six Months Ending December 31, 2019** | | | | | | | | | | | | | | | | |
|  |  | **ANV** | |  |  | **Sharx** | |  |  | **Corporate** | |  |  | **Total** | |  |
|  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |
| Net sales |  | $ | 18,610 |  |  | $ | - |  |  | $ | - |  |  | $ | 18,610 |  |
| Operating income (loss) |  | $ | 14,691 |  |  | $ | - |  |  | $ | (124,754 | ) |  | $ | (110,063 | ) |
| Interest expense |  | $ | (1,755 | ) |  | $ | - |  |  | $ | - |  |  | $ | (1,755 | ) |
| Total assets |  | $ | 644,911 |  |  | $ | - |  |  | $ | 147 |  |  | $ | 645,055 |  |

**NOTE 9 - SUBSEQUENT EVENTS:**

In accordance with ASC 855-10, Company management reviewed all material events through the date of this report.

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**ITEM 2: MANAGEMENT’S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION.**

The following should be read in conjunction with our Consolidated Financial Statements and the notes thereto included in the Financial Statements.

**FORWARD LOOKING STATEMENTS:**

Certain statements contained in this report, including statements concerning the Company’s future and financing requirements, the Company’s ability to obtain market acceptance of its products and the competitive market for sales of small production business and other statements contained herein regarding matters that are not historical facts, are forward looking statements; actual results may differ materially from those set forth in the forward looking statements, which statements involve risks and uncertainties, including without limitation to those risks and uncertainties set forth in any of the Company’s Registration Statements and Annual reports on form 10K under the heading “Risk Factors” or any other such heading. In addition, historical performance of the Company should not be considered as an indicator for future performance, and as such, the future performance of the Company may differ significantly from historical performance.

**Revenues**: Revenues from operations for the three-month period ending December 31, 2020 and December 31, 2019 were $10,284 and $9,281 respectively, and for the six-month period ending December 31, 2020 and December 31, 2019 were $20,613 and $18,610 respectively. The increase was attributable to currency fluctuations.

**General and administrative expenses**: G&A expenses for the three-month period ending December 31, 2020 and December 31, 2019 were $267 and $3,958 respectively, and for the six-month period ending December 31, 2020 and December 31, 2019 were $4,322 and $7,173 respectively. The expenses are mainly attributable to ANV’s normal operations and the Company’s SEC compliance and the fluctuations are attributable to currency fluctuations and accounting costs.

**Salary and Wages expenses**: Salary and wage compensation expenses for the three-month period ending December 31, 2020 and December 31, 2019 were $0 and $113,000 respectively, and for the six-month period ending December 31, 2020 and December 31, 2019 were $0 and $113,000 respectively. The decrease was due to a one-time stock grant to an officer of the Company in the prior year periods.

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**Professional expenses**: Professional expenses for the three-month period ending December 31, 2020 and December 31, 2019 were $3,025, and $2,500 respectively, and for the six-month period ending December 31, 2020 and December 31, 2019 were $10,050 and $8,500 respectively. The expenses were attributable to the ordinary audit fees for 2020 and 2019.

**Interest expense**: Interest expense for the three-month period ending December 31, 2020 and December 31, 2019 was $(698) and $(859) respectively, and for the six-month period ending December 31, 2020 and December 31, 2019 were $(1,435) and $(1,755) respectively. Interest expenses for 2020 are lower primarily due to the currency fluctuations and the reduction of debt.

**Net Income (loss)**: Net income(loss) attributed to common stockholders was $4,204 or $0.00 per share for the three-month period ending December 31, 2020 as compared to $183 or $0 per share for December 31, 2019. Net loss attributed to common stockholders was $726 or $0.00 per share for the six-month period ending December 31, 2020 as compared to $(115,363) or $(0.04) per share for December 31, 2019. The fluctuations are mainly attributable to officer compensation, general & administrative expenses and currency fluctuations.

**Liquidity and capital resources**: At December 31, 2020 and June 30, 2020, the Company had cash and cash equivalents of $50,348 and $43,603 respectively. At December 31, 2020 and June 30, 2020, the Company had a working capital deficit of $267,035 and $258,857 respectively. The change in cash is primarily due to the ANV'S payment of debt and normal operations. The increase in the working capital deficit is primarily related to the operations of the Subsidiary.

Net cash provided by operating activities for six-month period ending December 31, 2020 and December 31, 2019 was $22,433 and $11,940, respectively. The increase was primarily due to the decrease in taxes payable and the decrease in expenses paid on behalf on a related party.

Net cash used-in financing activities for six-month period ending December 31, 2020 and December 31, 2019 was $(19,244) and $(17,077) respectively. Net cash used in financing activities for both periods is related to the company's borrowings from banks, officers and directors, and the repayment of debt.

**OFF BALANCE SHEET ARRANGEMENTS:**

We do not currently have any off-balance sheet arrangements.

**ACQUISITION EFFORTS:**

The Company continues its efforts to raise capital to support operations and growth and is actively searching acquisition or merger with another company that would complement AOXY or increase its earnings potential. During this period, the Company has been in discussion with Companies looking to be acquired. AOXY has not negotiated any terms nor proposed any acquisitions of any of these companies that have been accepted. In addition, the Company is in discussion with potential lending institutions to assist in financing any proposed acquisition. The Company expects difficulty in financing the growth of the increased business or acquisition and has been concentrating on raising capital and/or obtaining a line of credit.

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**ITEM 3. Quantitative and Qualitative Disclosures About Market Risk:**

Smaller reporting companies are not required to provide the information required by this Item.

**ITEM 4. CONTROLS AND PROCEDURES**

**EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES**

We conducted an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer who is also our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. The term “disclosure controls and procedures”, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities and Exchange Act of 1934, as amended (“Exchange Act”), means controls and other procedures of a company that are designed to ensure that information required to be disclosed by the company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission’s rules and forms. Disclosure controls and procedures also include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure. Based on this evaluation, our Chief Executive Officer and Acting Chief Financial Officer concluded as of December 31, 2020 that our disclosure controls and procedures were not effective at ensuring that the material information required to be disclosed in the Exchange Act reports is recorded, processed, summarized and reported as required in applicable SEC rules and the Company’s filed 10-K.

*Changes in Internal Control over Financial Reporting*

During the three- and six-month periods ended December 31, 2020, there were no changes in our internal control over financial reporting identified in connection with managements evaluation of the effectiveness of our internal control over the financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act.

**PART II**

**ITEM 1: LEGAL PROCEEDINGS**

During the period ending December 31, 2020, there were pending or threatened legal actions as follows:

**None**

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

**None**

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

**None**

**ITEM 4. MINE SAFETY DISCLOSURES**

**None**

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**ITEM 5. OTHER INFORMATION**

**None**

**ITEM 6: EXHIBITS AND REPORTS ON FORM 8-K**

During three- and six-month periods ending December 31, 2020, the Company filed one Form 8-K.

On July 7, 2020, the Company issued a press release announcing the Distribution Agreement and initial sale of product pursuant thereto which sale amount equaled approximately $14,000. A copy of the press release is furnished as Exhibit 99.1 to this Current Report on Form 8-K.

On June 30, 2020, Advanced Oxygen Technologies, Inc. (collectively with its subsidiaries, the “Company”), through its indirect wholly owned subsidiary, Sharx DK ApS, a Danish corporation, entered into a Distribution Agreement (the “Distribution Agreement”) with Cleaver ApS, a Danish corporation (“Cleaver ”), whereby Cleaver has appointed the Company as Cleaver’s nonexclusive distributor of its products in Europe, South America and North America. Cleaver is a manufacturer of a line of products for the logistics and cargo industry.

|  |  |  |
| --- | --- | --- |
| **Exhibit Number** |  | **Description of the Document** |
| [3.1](http://www.sec.gov/Archives/edgar/data/352991/000147793214006952/aoxy_ex31.htm) |  | [Certificate of Incorporation as Amended and filed with the Secretary of State of Delaware effective on December 5, 2014](http://www.sec.gov/Archives/edgar/data/352991/000147793214006952/aoxy_ex31.htm) |
| [3.2](http://www.sec.gov/Archives/edgar/data/352991/000173112219000665/e1571_ex3-3.htm) |  | [Bylaws.](http://www.sec.gov/Archives/edgar/data/352991/000173112219000665/e1571_ex3-3.htm) |
|  |  |  |
| [31.1\*](file:///D:\wolfer2\myfiles\AOXY\AntonNeilsen\2020\12-31-2020%2010Q\Support\11.Filing\Filing\e2377_10-q\e2377_ex31-1.htm) |  | [Certification of Chief Executive Officer pursuant to Exchange Act Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](file:///D:\wolfer2\myfiles\AOXY\AntonNeilsen\2020\12-31-2020%2010Q\Support\11.Filing\Filing\e2377_10-q\e2377_ex31-1.htm) |
| [31.2\*](file:///D:\wolfer2\myfiles\AOXY\AntonNeilsen\2020\12-31-2020%2010Q\Support\11.Filing\Filing\e2377_10-q\e2377_ex31-2.htm) |  | [Certification of Chief Financial Officer pursuant to Exchange Act Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](file:///D:\wolfer2\myfiles\AOXY\AntonNeilsen\2020\12-31-2020%2010Q\Support\11.Filing\Filing\e2377_10-q\e2377_ex31-2.htm) |
| [32.1\*](file:///D:\wolfer2\myfiles\AOXY\AntonNeilsen\2020\12-31-2020%2010Q\Support\11.Filing\Filing\e2377_10-q\e2377_ex32-1.htm) |  | [Certification of Chief Executive Officer in accordance with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](file:///D:\wolfer2\myfiles\AOXY\AntonNeilsen\2020\12-31-2020%2010Q\Support\11.Filing\Filing\e2377_10-q\e2377_ex32-1.htm) |
| [32.2\*](file:///D:\wolfer2\myfiles\AOXY\AntonNeilsen\2020\12-31-2020%2010Q\Support\11.Filing\Filing\e2377_10-q\e2377_ex32-2.htm) |  | [Certification of Chief Financial Officer in accordance with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](file:///D:\wolfer2\myfiles\AOXY\AntonNeilsen\2020\12-31-2020%2010Q\Support\11.Filing\Filing\e2377_10-q\e2377_ex32-2.htm) |
| [10.1](http://www.sec.gov/Archives/edgar/data/352991/000173112219000665/e1571_ex101.htm) |  | [Stock Grant and Investment Agreement dated September 23, 2019](http://www.sec.gov/Archives/edgar/data/352991/000173112219000665/e1571_ex101.htm) |
| 101.INS |  | XBRL Instance |
| 101.SCH |  | XBRL Taxonomy Extension Schema Document |
| 101.CAL |  | XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF |  | XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB |  | XBRL Taxonomy Extension Labels Linkbase Document |
| 101.PRE |  | XBRL Taxonomy Extension Presentation Linkbase Document |

\*Filed herewith

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**SIGNATURE**

In accordance with the requirements of the Exchange Act, the Registrant has caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

|  |  |  |
| --- | --- | --- |
| Date: January 22, 2021 | By: | */s/ Robert E. Wolfe* |
|  |  | Robert E. Wolfe |
|  |  | Chairman of the Board and  Chief Executive Officer and  Principal Financial Officer |

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