



## Q1 2020 Investor Update



**Greetings friends and investors of HyperSciences,**

We're pleased to share updates from the first quarter of 2020!

### **Covid-19's impact on business operations**

As you all know, the shutdown within the United States caused by the Covid-19 pandemic has created restrictions for businesses and employees. In order to reduce disruption and ensure the safety of our employees during these difficult times, HyperSciences transitioned our team to virtual operations and limited access to each of our facilities. Unfortunately, without access to our site, we've experienced delays in manufacturing and testing. In the meantime, to keep moving forward, we've shifted our available resources to improve our engineering, solve technical challenges, document our operational processes, and streamline our business plan.

Additionally, in Q1, we've gained new capabilities, fundraised additional capital, and started on a new "study" contract with our major industrial partner from the drilling, mining, and tunneling industries!

Collectively as a team, we believe HyperSciences will come out of this pandemic a much stronger company. Let's jump in.

## **FIELD TRIALS**

We are excited to test out our improved HyperDrill tool this June. If all goes as expected, we will close out this phase of field trials this summer, which should significantly increase the value of HyperSciences.

Soon we will be releasing a video that highlights some of our progression in drilling and tunneling we have achieved over the last few months.

## **FINANCE**

### **Reg D Offering - \$2.4M available**

We plan to sell the remaining authorized Series A Preferred shares with the completion of our Reg D, Rule 506(c) offering; We closed additional investments in Q1 2020 at \$3.84/share (the same share price as previous Series A investors). We are currently working toward amending the Reg. D offering to allow for the sale of the remaining Series A Preferred shares to raise up to \$2.45M in additional new investments, with an expected closing date of July 15th ahead of the completion of planned field trials. If you are an "accredited investor"; and would like to discuss increasing your HyperSciences equity position, please reach out. We are planning to host an accredited investor webinar with HyperSciences CEO, Mark Russell on Thursday, June 4, 2020 at 11:30 AM PST (2:30 PM EST). Please click this link to register: [HyperSciences Accredited investor Reg D webinar](#)

We will host our Annual Meeting webinar Friday, June 26, 2020 for our investors where we will provide updates including the Reg. D progress. A registration link to this webinar will be sent prior to the meeting.

We will soon be contacting our current stockholders who are known accredited investors to discuss the opportunity. This is not a Reg A offering, so we can only offer to accredited investors to close out the last remaining available Series A Preferred shares in the Series A.

### **Annual 2019 audited financials are nearly complete**

Due to the pandemic, HyperSciences, Inc. is following the SEC's temporary final rules relating to the filing of its Annual Report on form 1-K, which will include audited financials for 2019. We expect to complete the updated financials and filings — and submit the files to the SEC — no later than June 13, 2020.

### **The majority of early angel investors' notes have been converted!**

Shortly after Q1, HyperSciences filed a current report with the SEC on April 20th to disclose that we've completed conversion with our early angel investors. We're pleased to announce that over 60% of all outstanding debt to those original noteholders has been converted into Series A equity investments, eliminating nearly \$2M of debt. Approximately \$1M of debt remains owed to these investors and will be repaid out of the proceeds of our Reg. D offering mentioned above.

These conversions allowed us to determine how much of the remaining authorized preferred stock is available to raise additional funds for operations, business development, and repayment. This was disclosed in our original Reg A filings, as well as the audited 2017 and 2018 financials:

<https://www.sec.gov/Archives/edgar/data/1646921/000105291818000251/hsiofferingcircularjune26-18.htm>.

As discussed in the last quarterly report: By executing this planned convertible note strategy, HyperSciences anticipated removing all company debt. We also expect that offering the last remaining Series A preferred shares at the same terms offered to earlier Series A investors will motivate new investors to close quickly — while minimizing the amount of HyperSciences' resources that must be dedicated to fundraising efforts.

## **BUSINESS DEVELOPMENT**

### **New Opportunities**

While HyperSciences currently has two major corporations as customers under contract to validate market opportunities in geothermal and conventional drilling, tunneling, and mining, we continue to explore new market opportunities in aerospace applications.

### **The Hypersonic Government Market (Aerospace R&D)**

HyperSciences is executing on our strategy to capitalize upon the U.S. government's planned increase in hypersonics spending. Many government agencies have significantly increased planned spending budgets in Hypersonics R&D for FY 2020 and beyond.

- HyperSciences has focused our contracts personnel on searching for government and industry grants/investment opportunities as well as assisting in the writing and submission of proposals to various departments in the U.S. government (NASA, DoD, DoE, DARPA, Army, Air Force, Navy, Space Force, etc.). This strategy will likely take time to get momentum, starting with small R&D contracts. We expect this to grow into larger, sustained opportunities over multiple years.
  - Example: HyperSciences has submitted a new proposal in 2020 for NASA's Phase 1 SBIR (Small Business Industry Research) contracts related to the proof of concept, engineering, and testing of a repetitive scaled free flight test facility.

## **HYPER TECHNOLOGY UPDATE**

This quarter we successfully re-engineered the HyperCore design into the Hyper-50 Rev 2.0. This new version is a compact, narrow design that's built for rapid autoloading with features that our industry partners said they wanted in a commercial solution: low cost, reliable and rapid cycle firing rates. This updated tool fits within the equipment that our partners and we already have, so it is much more compatible with drilling and tunneling use-cases. This design also advances the use of the ram accelerator to allow us to go well beyond Mach 5 for the U.S. Government Aerospace R&D test contracts, should those opportunities materialize.

At our HyperLab facility, we are ready to resume testing to verify we have a solution to the thermal erosion issue we discussed last update. Additionally, we will be testing an improved autoloader and projectile design. We believe this updated HyperCore system will drive new customer interest in funding the next phase of program development, which will get us closer to commercial operations.

**We are excited about what 2020 brings and look forward to providing future updates every quarter via email. If you want to get an early sneak peek at what we are doing, we're always publishing new pictures and videos on Facebook and Instagram.**

**Stay healthy, and let's continue to advance at Mach 5+.**

All the best,

Mark Russell  
CEO, HyperSciences

### *Forward-Looking Statements*

This email includes statements that describe expectations regarding future periods, which might be considered forward-looking statements. Assumptions underlying these expectations could be inaccurate and you are cautioned not to place undue reliance on any forward-looking statements. HyperSciences undertakes no obligation to publicly update or revise any forward-looking statements. Please review HyperSciences' most recent Form [1-K](#) to learn more about the principal risks, uncertainties, assumptions, and other important factors that could cause actual results to differ materially from any forward-looking statements.

### *About HyperSciences*

Founded in 2014, HyperSciences develops and builds innovative hypervelocity technologies intended for major industries such as fast tunneling, energy drilling and aerospace. HyperSciences previously offered securities under Tier II of Regulation A, and is now subject to current and periodic reporting obligations. You can access these reports and other securities filings on [EDGAR](#).

HyperSciences is currently conducting a Reg D 506(c) offering of securities for accredited investors.

Beyond our Reg A and subsequent Reg D fundraising, we recently closed an additional \$500K+ at \$3.84/share (the same terms as all the previous Series A investors). The Reg D will remain open to raise approximately \$2-3M more. If you're an "Accredited Investor" and would like to discuss increasing your HyperSciences equity position, please reach out.

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