

PayMeOn, Inc.
Form 10-Q
September 27, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended: **June 30, 2018**

Or

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

For the transition period from: _____ to _____

Commission File Number: 000-53574

PayMeOn, Inc.

(Exact name of registrant as specified in its charter)

Nevada
*(State or other jurisdiction
of incorporation or organization)*

20-4959207
*(I.R.S. Employer
Identification No.)*

2688 NW 29th Terrace, Oakland Park, Florida 33311

(Address of Principal Executive Office) (Zip Code)

(844) 422-7258

(Registrant's telephone number, including area code)

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

Indicate by check mark 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 (§232.405 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, smaller reporting company, or an emerging growth company. See the definitions of large accelerated filer, accelerated filer, smaller reporting company, and emerging growth company in Rule 12b-2 of the Exchange Act.

Edgar Filing: PayMeOn, Inc. - Form 10-Q

Large accelerated filer

Non-accelerated filer *(Do not check if a smaller reporting company)*

Accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by checkmark 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). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Shares Outstanding as of September 26, 2018
Common Stock, \$0.001 Par Value Per Share	143,035,341

PAYMEON, INC. AND SUBSIDIARIES

TABLE OF CONTENTS

		Page No.
PART I. FINANCIAL INFORMATION		
<u>Item 1.</u>	Financial Statements	1
<u>Item 2.</u>	Management's Discussion and Analysis of Financial Condition and Results of Operations	27
<u>Item 3.</u>	Quantitative and Qualitative Disclosures About Market Risk	31
<u>Item 4.</u>	Controls and Procedures	32
PART II. OTHER INFORMATION		
<u>Item 1.</u>	Legal Proceedings	33
<u>Item 1A.</u>	Risk Factors	33
<u>Item 2.</u>	Unregistered Sales of Equity Securities And Use of Proceeds	33
<u>Item 3.</u>	Defaults Upon Senior Securities	33
<u>Item 4.</u>	Mine Safety Disclosure	33
<u>Item 5.</u>	Other Information	33
<u>Item 6.</u>	Exhibits	34
<u>Signatures</u>		35

PART I. FINANCIAL INFORMATION**ITEM 1.****FINANCIAL STATEMENTS****PAYMEON, INC AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**

	June 30, 2018 (Unaudited)	December 31, 2017
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 11,122	\$ 188,738
Accounts receivable, net	58,548	
Inventory	299,374	380,265
Prepaid expenses	111,833	57,793
Other current assets	24,000	24,000
TOTAL CURRENT ASSETS	504,877	650,796
Fixed assets, net	439,765	456,709
Licensing agreements, net	422,055	447,260
Deposits	1,260,000	1,060,000
	2,121,820	1,963,969
TOTAL ASSETS	\$ 2,626,697	\$ 2,614,765
<u>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 833,763	\$ 323,116
Due to related party	7,011	51,048
Accrued expenses	678,466	1,224,716
Current liabilities held for sale	40,898	51,568
Notes payable		30,000
Notes payable - related party	518,300	200,000
Liability for stock to be issued		100,000
Note payable - convertible	300,000	300,000

Notes payable - related party - convertible	290,273	290,273
TOTAL CURRENT LIABILITIES	2,668,711	2,570,721
TOTAL LIABILITIES	2,668,711	2,570,721
COMMITMENTS AND CONTINGENCIES (SEE NOTE 11)		
STOCKHOLDERS' EQUITY (DEFICIT)		
Preferred stock, \$0.001 par value, 5,000,000 shares authorized, none issued and outstanding, respectively		
Common stock, \$0.001 par value, 1,000,000,000 shares authorized, 131,018,674 and 128,305,800 shares issued and outstanding, respectively as of June 30, 2018 and December 31, 2017	131,019	128,306
Additional paid in capital	16,281,047	14,917,066
Subscription receivable		(500)
Accumulated deficit	(16,678,907)	(15,225,303)
TOTAL STOCKHOLDERS' EQUITY (DEFICIT) - CONTROLLING INTEREST	(266,841)	(180,431)
Non-controlling interest	224,827	224,475
TOTAL STOCKHOLDERS' EQUITY (DEFICIT)	(42,014)	44,044
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	\$ 2,626,697	\$ 2,614,765

The accompanying notes are an integral part of the consolidated financial statements.

PAYMEON, INC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2018	2017	2018	2017
Revenue				
Products Sales -				
Rebar	\$ 5,872	\$	\$ 84,152	\$
Total revenue	5,872		84,152	
Total cost of goods sold	8,546		86,987	
Gross (loss)	(2,674)		(2,835)	
OPERATING EXPENSES				
Professional fees	56,982	54,448	90,370	140,051
Payroll and payroll taxes	69,438	75,659	166,432	133,998
Consulting	118,742	198,450	219,691	354,790
General and administrative	318,840	74,425	788,060	87,354
Bad debt expense			24,242	
Total operating expenses	564,002	402,982	1,288,795	716,193
NET LOSS FROM OPERATIONS	(566,676)	(402,982)	(1,291,630)	(716,193)
OTHER EXPENSES				
Loss on extinguishment of debt	(90,061)		(90,061)	
Interest on judgement	(4,605)	(4,604)	(9,160)	(9,158)
Interest expense	(24,941)	(18,703)	(43,248)	(46,852)
Total other expenses	(119,607)	(23,307)	(142,469)	(56,010)

Edgar Filing: PayMeOn, Inc. - Form 10-Q

LOSS FROM CONTINUING OPERATIONS BEFORE PROVISION FOR INCOME TAXES AND (LOSS) FROM DISCONTINUED OPERATIONS	(686,283)	(426,289)	(1,434,099)	(772,203)
(LOSS) FROM DISCONTINUED OPERATIONS	(10,912)	(45,689)	(19,153)	(499,182)
Net loss before provision for income taxes	(697,195)	(471,978)	(1,453,252)	(1,271,385)
Provision for income taxes				
NET LOSS	(697,195)	(471,978)	(1,453,252)	(1,271,385)
Net (income) loss attributable to non-controlling interest	(595)		352	
Net (income) loss attributable to controlling interest	\$ (696,600)	\$ (471,978)	\$ (1,453,604)	\$ (1,271,385)
Net loss per share - basic and diluted				
Continuing operations	\$ (0.005)	\$ (0.004)	\$ (0.011)	\$ (0.009)
Discontinued operations	\$ (0.000)	\$ (0.000)	\$ (0.000)	\$ (0.005)
Total	\$ (0.005)	\$ (0.004)	\$ (0.011)	\$ (0.014)
Weighted average number of shares outstanding - basic and diluted	131,018,674	117,093,493	130,060,338	87,833,438

The accompanying notes are an integral part of the consolidated financial statements.

PAYMEON, INC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	For the six months ended June 30,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss attributable to controlling interests	\$ (1,453,604)	\$ (1,271,385)
Adjustments to reconcile net loss to net cash used in operating activities:		
Non-controlling interest adjustment	352	
Bad debt expense	24,242	
Depreciation	19,879	16,368
Amortization of debt discount		12,672
Loss on extinguishment of debt	90,061	
Stock-based compensation	486,092	1,056
Loss on leasehold and deposit		221,328
Amortization of license agreement	25,205	24,794
Common stock issued for services		117,089
Changes in operating assets and liabilities:		
(Increase) decrease in prepaid expense	(54,040)	37,424
(Increase) decrease in inventory	80,891	(396,919)
(Increase) in deposits	(200,000)	(1,134,000)
(Increase) decrease in accounts receivable	(82,790)	8,835
Decrease in other current assets		1,194
Increase in accounts payable - related party		80,000
(Decrease) in customer deposits		(32,736)
Increase in accounts payable and accrued expenses	139,990	209,522
Net cash used in operating activities	(923,722)	(2,104,758)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of equipment	(2,935)	
Net cash used in investing activities	(2,935)	
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment to related party		(22,564)
Proceeds from notes payable - related party		15,000
Proceeds from related party, net	303,300	
Repayment of purchase order financing		(1,885)
Repayment of note payable	(30,000)	
Proceeds from joint venture		315,000
Proceeds from sale of common stock	475,741	2,241,178

Edgar Filing: PayMeOn, Inc. - Form 10-Q

Net cash provided by financing activities	749,041	2,546,729
NET INCREASE (DECREASE) IN CASH	(177,616)	441,971
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	188,738	88,338
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 11,122	\$ 530,309
Supplemental cash flow information:		
Cash paid for income taxes	\$	\$
Cash paid for interest expense	\$	\$
Supplemental disclosure of non cash investing and financing activities:		
Related party forgiveness recorded as additional paid-in capital	\$ 215,300	\$

The accompanying notes are an integral part of the consolidated financial statements.

PAYMEON, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2018 AND 2017
(UNAUDITED)

NOTE 1 ORGANIZATION, NATURE OF BUSINESS AND GOING CONCERN

(A) Organization

On March 16, 2011 PayMeOn, Inc., a Nevada corporation organized on May 30, 2006 (the "Company" or PayMeOn) completed its agreement and plan of merger (the "Merger Agreement") to acquire Hyperlocal Marketing, LLC, a Florida limited liability company ("Hyperlocal"), pursuant to which Hyperlocal merged with and into HLM PayMeOn, Inc., a Florida corporation and wholly owned subsidiary of the Company. Under the terms of the Merger Agreement, the Hyperlocal members received 301,296 shares of the Company common stock, which equals approximately 50.1% of the total shares of the Company issued and outstanding following the merger on a fully diluted basis. In accordance with the Financial Accounting Standards Board (FASB) Accounting Standard Codification (ASC) Topic 360-10-45-15, the transaction was accounted for as a reverse acquisition. Hyperlocal was considered the accounting acquirer and the acquire was the Company since the members of Hyperlocal obtained voting and management control of the Company and the transaction had been accounted for as a reverse merger and recapitalization.

Hyperlocal was originally organized in the State of Florida on January 22, 2010.

In 2014, the Company began selling Prodeco Technologies, LLC brand electric bicycles, an affiliate entity, of which the Company acquired a 19.4% equity interest. During 2015, the Company expanded its sales of electric bicycles to include sales of electric bicycles and related products made by other manufacturers in a retail store location in Fort Lauderdale.

During the first quarter of 2016, the Company formed a new subsidiary, PayMeOn Brands, Inc., to pursue the business of developing, marketing, managing and monetizing lifestyle brands and products. The Company intended to develop and leverage its relationships and expertise with respect to manufacturing processes, wholesale and retail distribution networks, and social influencer promotion, primarily targeting youth oriented "lifestyle" markets to create and grow

new and existing brands across several market segments.

On October 16, 2016, the Company formed a new, wholly-owned company called Xtreme Fat Tire Bike Holdings, LLC (Xtreme). The Company was formed to pursue potential development of the fat tire segment of the electric bikes market. To date, Xtreme has had no material operations.

On February 21, 2017, the Company executed a membership interest purchase agreement to acquire 100% of the membership interests of Rockstar Acquisitions, LLC d/b/a Basalt America (Basalt America). Basalt America leverages its licensed intellectual property, technology and processes to produce Basalt Fiber Reinforced Polymer products that are used as replacements for steel products that reinforce concrete such as rebar. In consideration of the acquisition of all of the issued and outstanding membership interests of Basalt America, the Company issued an aggregate of 95,500,000 restricted shares of its common stock to the members of Basalt America. For accounting purposes, the transaction was recorded at historical cost in accordance with ASC 805-50-25-2 as this was considered an acquisition of entities under common control as the Board of Directors of the Company and of Basalt America are the same and control the activities of the respective companies.

During the second quarter of 2017, the Company entered into a term sheet for a Joint Venture (Joint Venture) with accredited investors for the management of Basalt America Territory 1, LLC, which will have the exclusive rights to manage sales for Dade, Broward and Monroe Counties in the State of Florida. In conjunction with entering into the Joint Venture, the investors provided total proceeds of \$502,500 which was used as a deposit to purchase future inventory from May to August 2017. Operations commenced during the fourth quarter of 2017. The Company owns 55.3% of the Joint Venture and the investors own 44.7% of the joint venture.

During the second quarter of 2017, we also created Basalt America Territory 2, LLC to manage the sales, distribution and marketing of our products for the state of Rhode Island. The joint venture is to be owned 50% by Basalt America and 50% by a third-party investor. Basalt America Territory 2, LLC has not yet been formalized and has not yet commenced operations.

PAYMEON, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2018 AND 2017

(UNAUDITED)

NOTE 1 ORGANIZATION, NATURE OF BUSINESS AND GOING CONCERN (CONTINUED)

(A) Organization (Continued)

On March 19, 2018, the Board of Directors of the Company approved the disposal of HLM Paymeon, Inc. and Paymeon Brands, Inc. as they made a strategic shift into the basalt fiber reinforced polymer business with the acquisition of Basalt America. The disposal of HLM Paymeon, Inc. was decided to be effective May 1, 2018. The timing of the disposal was delayed due to administrative issues. The disposal will be reflected in the Company's financial statements effective September 30, 2018. As a result of this disposal under ASC 205-20-45-1E, the Company has presented the assets and liabilities of this segment as held for sale and as discontinued operations and have reclassified the prior year balances to reflect this strategic shift.

On April 13, 2018, Edward A. Cespedes resigned as the chairman and chief executive officer of our Company and all our subsidiaries.

On April 13, 2018, Vincent L. Celentano was appointed chairman and chief executive officer of our Company and all our subsidiaries. Mr. Celentano is the largest individual shareholder of our Company.

On August 13, 2018, the Company formed Basanite Industries LLC, a wholly-owned Delaware subsidiary.

On August 16, 2018, the Company appointed David Anderson its Interim Chief Executive Officer and Interim Principal Financial Officer.

PayMeOn and its wholly owned subsidiaries are herein referred to as the "Company".

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules and regulations of the Securities and Exchange Commission for interim financial information. Accordingly, they do not include all of the information necessary for a comprehensive presentation of financial position and results of operations. The interim results for the period ended June 30, 2018 are not necessarily indicative of results for the full fiscal year. It is management's opinion, however that all material adjustments (consisting of normal recurring adjustments) have been made which are necessary for a fair financial statement presentation.

(B) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of PayMeOn, Inc. and its wholly owned subsidiaries, PayMeOn Brands, Inc, HLM PayMeOn, Inc. Xtreme Fat Tire Bike Holdings. LLC, Basalt America, and Basalt America Territory 1, LLC, a majority owned subsidiary. All intercompany accounts have been eliminated in the consolidation.

(C) Going Concern

Since inception, the Company has incurred net operating losses and used cash in operations. As of June 30, 2018, the Company has an accumulated deficit of \$16,678,907, a working capital deficiency of \$2,163,834 and cash used in operations of \$923,722 for the six months ended June 30, 2018. Losses have principally occurred as a result of the substantial resources required for product development and marketing of the Company's products which included the general and administrative expenses associated with its organization and product development.

The acquisition of Basalt America and commencement of production related to the products we will produce will require substantial additional investment in plant and equipment. In addition, we will have to invest substantial sums in the creation of a sales and marketing program designed to introduce our products to the industry.

These conditions raise substantial doubt about the Company's ability to continue as a going concern. These consolidated financial statements do not include any adjustments to reflect the possible future effect on the recoverability and classification of assets or the amounts and classifications of liabilities that may result from the outcome of these uncertainties. Management believes that the actions presently being taken to obtain additional funding and implement its strategic plan provides the opportunity for the Company to continue as a going concern.

PAYMEON, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2018 AND 2017

(UNAUDITED)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) Cash

The Company considers all highly liquid temporary cash instruments with a maturity of three months or less to be cash equivalents. The Company has no cash equivalents as of June 30, 2018.

(B) Use of Estimates in Financial Statements

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates during the period covered by these financial statements include the useful lives of depreciable assets, valuation of accounts receivable reserves, valuation of inventory allowances, valuation of deferred tax assets, stock-based compensation and any beneficial conversion features on convertible debt.

(C) Fair Value Measurements and Fair Value of Financial Instruments

The Company adopted FASB ASC Topic 820, Fair Value Measurements. ASC Topic 820 clarifies the definition of fair value, prescribes methods for measuring fair value, and establishes a fair value hierarchy to classify the inputs used in measuring fair value as follows:

Level 1-Inputs are unadjusted quoted prices in active markets for identical assets or liabilities available at the measurement date.

Level 2-Inputs are unadjusted quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, inputs other than quoted prices that are observable, and inputs derived from or corroborated by observable market data.

Level 3-Inputs are unobservable inputs which reflect the reporting entity's own assumptions on what assumptions the market participants would use in pricing the asset or liability based on the best available information.

The Company did not identify any assets or liabilities that are required to be presented on the balance sheets at fair value in accordance with ASC Topic 820.

Due to the short-term nature of all financial assets and liabilities, their carrying value approximates their fair value as of the balance sheet date.

(D) Accounts Receivable

Accounts receivable are recorded at fair value on the date revenue is recognized. The Company provides allowances for doubtful accounts for estimated losses resulting from the inability of its customers to repay their obligation. If the financial condition of the Company's customers were to deteriorate, resulting in an impairment of their ability to repay, additional allowances may be required. The Company provides for potential uncollectible accounts receivable based on specific customer identification and historical collection experience adjusted for existing market conditions. If market conditions decline, actual collection experience may not meet expectations and may result in decreased cash flows and increased bad debt expense. As of June 30, 2018, the Company has recorded \$24,242 as an allowance for bad debts compared to no allowance at December 31, 2017.

PAYMEON, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2018 AND 2017

(UNAUDITED)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(E) Inventories

The Company's inventories consist entirely of purchased finished goods. Inventories are stated at lower of cost or market. Cost is determined on the first-in, first-out basis. As of June 30, 2018 and December 31, 2017 the Company has not recorded an allowance for the valuation of the inventory or inventory obsolescence.

(F) Fixed assets

Fixed assets consist of machinery, computer equipment, leasehold improvements and website costs which are capitalized at cost, net of accumulated depreciation. Depreciation is calculated by using the straight-line method over the estimated useful lives of the assets, which is three or seven years for all categories. Repairs and maintenance are charged to expense as incurred. Expenditures for betterments and renewals are capitalized. The cost of fixed assets and the related accumulated depreciation are removed from the accounts upon retirement or disposal with any resulting gain or loss being recorded in operations.

The Company has adopted the provisions of ASC 350-50-15, "Accounting for Web Site Development Costs." Costs incurred in the planning stage of a website are expensed as research and development while costs incurred in the development stage are capitalized and amortized over the life of the asset, estimated to be three years. These assets are fully depreciated.

Asset Category	Depreciation/ Amortization Period
Machinery	7 -12 Years
Website costs	5 Years

Computer equipment

3 Years

Fixed assets consist of the following:

	June 30, 2018 (Unaudited)	December 31, 2017
Computer equipment	\$ 16,790	\$ 13,605
Machinery	449,750	450,000
Website development	24,775	24,775
Total	491,315	488,380
Accumulated depreciation	(51,550)	(31,671)
Balance	\$ 439,765	\$ 456,709

During the six months ended June 30, 2018, \$250 was expensed as non-capitalizable equipment which was previously capitalized as Machinery at December 31, 2017. During the year ended December 31, 2017 the Company identified leasehold improvements that were impaired in the amount of \$300,000. The Company recognized a loss on the impairment of \$221,328, reflected in the loss from discontinued operations. Depreciation expense for the six months ended June 30, 2018 and 2017 was \$19,879 and \$16,368 respectively.

PAYMEON, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2018 AND 2017

(UNAUDITED)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(F) Fixed assets (Continued)

On October 22, 2015, the Company issued an unsecured promissory note in the principal amount of \$300,000 to PDQ Auctions, LLC for leasehold improvements of the facilities subleased from PDQ Auctions, LLC. The note bears interest at an annual rate of 7% and was originally payable on or before October 22, 2017 (subsequently extended until May 2021, see below), unless the note was converted or prepaid prior to the maturity date. Subject to certain limitations below, the note may be converted at any time, at the option of the holder, into shares of the Company's common stock at a conversion price of \$0.35 per share, subject to adjustment. In the event the Company issues any new or additional promissory notes that pay an interest rate that exceeds 7% per annum, then the holder shall be entitled to request an increase in the interest rate payable on the note to an amount equal to the rate being paid on the new or additional notes (which occurred on September 22, 2017, see below). The conversion of the note may be limited if, upon conversion, the holder thereof would beneficially own more than 4.9% of the Company's common stock. The note may be prepaid at the option of the Company commencing 190 days after the issuance of the note. On September 22, 2017, the Company issued a total of 200,000 shares of common stock valued at \$72,000 (\$0.38 per share) in conjunction with an extension of the note to April 22, 2018. The interest rate on the Note was also increased to 10% per annum. The modifications to the debt was reflected as a material modification in the Company's quarter ended September 30, 2017. On May 2, 2018, the Company secured a three-year extension of the convertible note in return for (1) a \$5,000 per month payment applicable to current interest and principal beginning on April 22, 2018, and (2) the issuance of 274,575 new, restricted common shares. The shares were issued on June 13, 2018. The Company has begun making payments but is not current with payments required by the extension. The modifications to this debt instrument is reflected as a material modification in the Company's financial statements as of June 30, 2018 in the amount of \$90,061 and reflected as a loss on extinguishment of debt on the Company's statement of operations.

(G) Impairment of Long-Lived Assets

The Company evaluates its long-lived assets for impairment whenever events or a change in circumstances indicate that the carrying amount of such assets may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the asset to the future net undiscounted cash flows expected to

be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is the excess of the carrying amount over the fair value of the asset. As of June 30, 2018 and December 31, 2017, the Company determined that no impairment was necessary.

(H) Revenue Recognition

In May 2014, the FASB issued Accounting Standard Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606). This standard provides a single set of guidelines for revenue recognition to be used across all industries and requires additional disclosures. The updated guidance introduces a five-step model to achieve its core principal of the entity recognizing revenue to depict the transfer of goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Company adopted the updated guidance effective January 1, 2018 using the full retrospective method.

Under ASC 606, in order to recognize revenue, the Company is required to identify an approved contract with commitments to perform respective obligations, identify rights of each party in the transaction regarding goods to be transferred, identify the payment terms for the goods transferred, verify that the contract has commercial substance and verify that collection of substantially all consideration is probable. The adoption of ASC 606 did not have an impact on the Company's operations or cash flows as it relates to revenue for Basalt America.

Amounts billed to customers in sales transactions related to shipping and handling, represent revenues earned for the goods provided and are included in net sales.

PAYMEON, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2018 AND 2017

(UNAUDITED)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*(H) Revenue Recognition (Continued)*Discontinued Operations

The Company recognized revenue from product sales to customers, distributors and resellers when products that do not require further services or installation by the Company are shipped, when there are no uncertainties surrounding customer acceptance and when collectability is reasonably assured in accordance with FASB ASC 605, *Revenue Recognition*, as amended and interpreted. Cash received by the Company prior to shipment was recorded as deferred revenue. Sales were made to customers under terms allowing certain limited rights of return and other limited product and performance warranties for which provision has been made in the accompanying financial statements.

(I) Loss Per Share

The basic loss per share is calculated by dividing the Company's net loss available to common shareholders by the weighted average number of common shares during the period. The diluted loss per share is calculated by dividing the Company's net loss by the diluted weighted average number of shares outstanding during the period. The diluted weighted average number of shares outstanding is the basic weighted number of shares adjusted for any potentially dilutive debt or equity.

	June 30, 2018 (Unaudited)	December 31, 2017
Dilutive shares not included in loss per share computation		
Options	5,600,000	5,600,000
Warrants	7,175,000	5,650,000
Convertible shares	2,660,632	2,586,746

Shares issuable		333,333
	15,435,632	14,170,079

(J) Stock-Based Compensation

The Company recognizes compensation costs to employees under FASB ASC Topic 718, Compensation – Stock Compensation. Under FASB ASC Topic 718, companies are required to measure the compensation costs of share-based compensation arrangements based on the grant-date fair value and recognize the costs in the financial statements over the period during which employees are required to provide services. Share based compensation arrangements include stock options, restricted share plans, performance-based awards, share appreciation rights and employee share purchase plans. As such, compensation cost is measured on the date of grant at their fair value. Such compensation amounts, if any, are amortized over the respective vesting periods of the option grant.

Equity instruments issued to other than employees are recorded on the basis of the fair value of the instruments, as required by FASB ASC Topic 505, Equity Based Payments to Non-Employees. In general, the measurement date is when either a (a) performance commitment, as defined, is reached or (b) the earlier of (i) the non-employee performance is complete or (ii) the instruments are vested. The measured value related to the instruments is recognized over a period based on the facts and circumstances of each particular grant as defined in the FASB Accounting Standards Codification.

(K) Cost of Sales

Components of cost of sales include product costs and shipping costs to customers.

(L) Shipping and Handling Costs

The Company includes shipping and handling fees billed to customers as revenue and shipping and handling costs to customers as cost of revenue.

PAYMEON, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2018 AND 2017

(UNAUDITED)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(M) Reclassification

Certain amounts from prior periods have been reclassified to conform to the current period presentation.

(N) Segment Information

In accordance with the provisions of ASC 280-10, *Disclosures about Segments of an Enterprise and Related Information*, the Company is required to report financial and descriptive information about its reportable operating segments. The Company prior to March 19, 2018 when they decided to dispose of the electric bicycles and apparel lifestyle brands segment to focus entirely on the concrete reinforcement products made from basalt fiber, which was formally to be disposed of on May 1, 2018, however due to administrative issues was extended to September 30, 2018, had three segments in 2017. As a result of this strategic shift and in accordance with ASC 205-20-45-1E has reclassified two of these segments as assets and liabilities held for sale and discontinued operations. Therefore, the Company only operates in one segment and has not presented segment reporting for the three and six months ended June 30, 2018 and 2017.

(O) Income Taxes

The Company accounts for income taxes under FASB ASC Topic 740-10-25 ("ASC 740-10-25"). Under ASC 740-10-25, 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. Under ASC 740-10-25, 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.

On December 22, 2017, Public Law 115-97, informally referred to as the Tax Cuts and Jobs Act (the TCJA) was enacted into law. The TCJA provides for significant changes to the U.S. Internal Revenue Code of 1986, as amended, that impact corporate taxation requirements. Effective January 1, 2018, the federal tax rate for corporations was reduced from 35% to 21% for US taxable income and requires one-time re-measurement of deferred taxes to reflect their value at a lower tax rate of 21%. Also, mandatory repatriation of untaxed foreign earnings and profits will be taxed at 15.5% to the extent the underlying assets are liquid and 8% on the remaining balance. There are other provisions to the TCJA, such as conversion of a worldwide system to a territorial system, limitations on interest expense and domestic production deductions, which will be effective in fiscal 2019. The Company anticipates its effective tax rate to be 28% to 30%, excluding the one-time impact of the TCJA for fiscal 2018 primarily due to the reduction in the federal tax rate. The Company's actual effective tax rate for fiscal 2018 may differ from management's estimate due to changes in interpretations and assumptions. Due to the timing of enactment and complexity of the TCJA, the Company is unable to estimate a reasonable range of the one-time impact associated with mandatory repatriation, re-measurement of deferred taxes and other provisions of the TCJA.

The Company does not anticipate any changes to its provision for income taxes for the tax bill that has gone into effect for fiscal years ending starting in 2018.

	June 30, 2018 (Unaudited)	December 31, 2017
Expected income tax (benefit) expense at the statutory rate of 24.63% (37.63% for 2017)	\$ (1,462,401)	\$ (1,104,465)
Tax effect of expenses that are not deductible for income tax purposes (net of other amounts deductible for tax purposes) permanent differences	136,870	136,870
Change in valuation allowance	1,325,531	967,595
Provision for income taxes	\$	\$

PAYMEON, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2018 AND 2017

(UNAUDITED)

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(O) Income Taxes

The components of deferred income taxes are as follows:

	June 30, 2018	December 31, 2017
	(Unaudited)	
Deferred income tax asset - related to stock-based compensation and impairment (permanent differences)	\$ 756,064	\$ 756,064
Net operating loss carryforwards	3,581,614	3,092,148
Effect of TCJA recalculation	(1,366,527)	(1,366,527)
Valuation allowance	(2,971,151)	(2,481,685)
Deferred income taxes	\$	\$

As of June 30, 2018, the Company had a net operating loss carry forward of approximately \$9,200,000. As of December 31, 2017, the Company had a net operating loss carry forward of approximately \$8,200,000 available to offset future taxable income through 2037. All losses that occur after December 31, 2017, are available to offset future taxable income and do not expire. This results in deferred tax assets of approximately \$3,000,000 and \$2,500,000 as of June 30, 2018 and December 31, 2017, offset by a valuation allowance which was approximately \$3,000,000 and \$2,500,000 at June 30, 2018 and December 31, 2017. The change in the valuation allowance from June 30, 2018 over December 31, 2017 was an increase of approximately \$600,000. Tax returns for the last three years are subject to examination by the Internal Revenue Service.

As a result of the Hyperlocal acquisition in 2011 and Basalt America in 2017 and the corresponding change in ownership, the Company's NOLs are subject to a Section 382 limitation.

(P) Noncontrolling Interests in Consolidated Financial Statements

Accounting guidance on non-controlling interests in consolidated financial statements requires that a non-controlling interest in the equity of a subsidiary be accounted for and reported as equity, provides revised guidance on the treatment of net income and losses attributable to the non-controlling interest and changes in ownership interests in a subsidiary and requires additional disclosures that identify and distinguish between the interests of the controlling and non-controlling owners. Net loss attributable to the non-controlling interests totaling \$352 and \$0 for the six months June 30, 2018 and 2017, respectively are included in the consolidated financial statements.

NOTE 3 RECENT ACCOUNTING PRONOUNCEMENTS

In June 2018, the FASB issued ASU 2018-07 *Compensation - Stock Compensation (Topic 718), Improvements to Nonemployee Share-Based Payment Accounting*. This ASU is intended to simplify aspects of share-based compensation issued to non-employees by making the guidance consistent accounting for employee share-based compensation. It is effective for annual reporting periods, and interim periods within those years, beginning after December 15, 2018. The Company is currently in the process of evaluating the impact of the adoption of ASU 2018-07 on its consolidated financial statements.

PAYMEON, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2018 AND 2017

(UNAUDITED)

NOTE 3 RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)

In July 2017, the FASB issued ASU 2017-11, *Earnings Per Share (Topic 260) Distinguishing Liabilities from Equity (Topic 480) Derivatives and Hedging (Topic 815)*, which addresses the complexity of accounting for certain financial instruments with down round features. Down round features are features of certain equity-linked instruments (or embedded features) that result in the strike price being reduced on the basis of the pricing of future equity offerings. Current accounting guidance creates cost and complexity for entities that issue financial instruments (such as warrants and convertible instruments) with down round features that require fair value measurement of the entire instrument or conversion option. For public business entities, the amendments in Part I of this Update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. For all other entities, the amendments in Part I of this Update are effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. The Company is assessing the impact, if any, of implementing this guidance on its financial position and results of operations.

In January 2017, the FASB issued ASU 2017-04 *Intangibles – Goodwill and Other (Topic 350), Simplifying the Test for Goodwill Impairment*. The amendments in this update are required for public business entities that have goodwill reported in their financial statements and have not elected the private company alternative for the subsequent measurement of goodwill. The update is intended to simplify the annual or interim goodwill impairment test. A public business entity that is a U.S. SEC filer should adopt the amendments in this update for its annual or interim goodwill impairment tests in fiscal years beginning after December 15, 2019. Early adoption is permitted. The Company is assessing the impact, if any, of implementing this guidance on its financial position and results of operations.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230), Classification of Certain Cash Receipts and Cash Payments*. The amendments in this update provided guidance on eight specific cash flow issues. This update is to provide specific guidance on each of the eight issues, thereby reducing the diversity in practice in how certain transactions are classified in the statement of cash flows. ASU 2016-15 is effective for fiscal years and interim periods beginning after December 31, 2017. The Company believes that the adoption of this ASU will not have a material impact on the financial position or results of operations of the Company.

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*. The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is

effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases. The new guidance will be effective for annual reporting periods beginning after December 15, 2018, including interim periods within that reporting period and is applied retrospectively. Early adoption is permitted. The Company is assessing the impact, if any, of implementing this guidance on its financial position and results of operations.

There are several other new accounting pronouncements issued or proposed by the FASB. Each of these pronouncements, as applicable, has been or will be adopted by the Company. Management does not believe any of these accounting pronouncements has had or will have a material impact on the Company's consolidated financial position or operating results.

NOTE 4 ACQUISITION OF BASALT AMERICA

On February 21, 2017, the Company executed a membership interest purchase agreement to acquire 100% of the membership interests of Basalt America. In consideration of the acquisition of all of the issued and outstanding membership interests of Basalt America, the Company issued an aggregate of 95,500,000 restricted shares of its common stock to the members of Basalt America. As of December 31, 2016, Basalt America had 80,500,000 membership units outstanding. For accounting purposes, the transaction was recorded at historical cost in accordance with ASU 805-50-25-2 as this is considered an acquisition of entities under common control as the board of directors of the Company and of Basalt America are the same and control the activities of the respective companies.

PAYMEON, INC. AND SUBSIDIARIES**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****FOR THE SIX MONTHS ENDED JUNE 30, 2018 AND 2017****(UNAUDITED)****NOTE 4 ACQUISITION OF BASALT AMERICA (CONTINUED)**

As the acquisition of Basalt America was deemed to be a transaction between entities under common control, the assets and liabilities were transferred at the historical cost of Basalt America with prior periods retroactively adjusted to include the historical financial results of the acquired company for the period ended December 31, 2016 that were controlled by the previous owners of the Company.

The Company consolidated the total assets and liabilities of Basalt America. Since the consolidation was done retrospectively, the Company adjusted the beginning balances as if the transaction occurred on November 18, 2016 (Inception).

NOTE 5 DISCONTINUED OPERATIONS

On March 19, 2018, the Board of Directors of the Company approved the disposal of HLM Paymeon, Inc. and Paymeon Brands, Inc. as they made a strategic shift into the basalt fiber reinforced polymer business with the acquisition of Basalt America. The disposal of HLM Paymeon, Inc. was decided to be effective May 1, 2018. The timing of the disposal was delayed due to administrative issues. The disposal will be reflected in the Company's financial statements effective September 30, 2018. As a result of this disposal under ASC 205-20-45-1E, the Company has presented the assets and liabilities of this segment as held for sale and as discontinued operations and have reclassified the prior year balances to reflect this strategic shift.

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2018	2017	2018	2017
Revenues	\$	\$	\$	\$
Cost of goods sold	8,829	26,877	16,460	37,909
Gross profit (loss)	(8,829)	32,902	33,530	40,409
		(6,025)	(17,070)	(2,500)

Operating expenses				
General and administrative	2,083	22,400	2,083	198,350
Payroll expense		6,600		13,920
Consulting		10,515		46,715
Depreciation and amortization expense		149		16,369
Loss on lease				221,328
Total expense from discontinued operations	2,083	39,664	2,083	496,682
(Loss) from discontinued operations	\$ (10,912)	\$ (45,689)	\$ (19,153)	\$ (499,182)

PAYMEON, INC. AND SUBSIDIARIES

BALANCE SHEETS FROM DISCONTINUED OPERATIONS (HELD FOR SALE)

	June 30, 2018 (Unaudited)	December 31, 2017
Current liabilities held for sale	\$ 40,898	\$ 51,568

PAYMEON, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2018 AND 2017

(UNAUDITED)

NOTE 6 NOTES PAYABLE RELATED PARTY CONVERTIBLE

		June 30, 2018	December 31, 2017
		(Unaudited)	
Note Payable related party - convertible @ \$0.345 per share	(a) \$	165,500	\$ 165,500
Note Payable related party - convertible @ \$0.12 per share	(b)	10,000	10,000
Note Payable related party - convertible @ \$0.20 per share	(c)	20,000	20,000
Note Payable related party - convertible @ \$0.30 per share	(d)	182,500	182,550
Total		378,000	378,000
Offset of loans	(e)	(87,727)	(87,727)
Debt Discount			
Total		\$ 290,273	\$ 290,273

Interest expense for the Company's related party convertible notes payable for the three and six months ended June 30, 2018 was \$6,597 and \$13,121, respectively, compared to \$13,897 and \$36,538 to the three and six months ended June 30, 2017. Accrued interest for the Company's related party convertible notes payable at June 30, 2018 and December 31, 2017 was \$113,709 and \$100,588.

(a) The Company entered into two secured convertible promissory notes in the principal amount in total of \$165,500 to a related party. The notes bear interest at an annual rate of 7% and were payable on or before twelve months from the date of issuance (both of which were extended as noted herein). In addition, the note may be converted at any time, at the option of the holder, into shares of the Company's common stock at a conversion price of \$0.345 per share, subject to adjustment for stock splits and dividends. The Company recorded a debt discount of \$165,500 for the fair value of the beneficial conversion feature. As of December 31, 2014, the Company amortized \$165,500 of the debt discount. Accrued interest at June 30, 2018 and December 31, 2017 amounted to \$60,909 and \$58,052, respectively. On April 15, 2014, the note holder agreed to extend the note through December 23, 2014. On December 23, 2015, the note holder agreed to extend the note through December 23, 2016. On March 15, 2017 note holder agreed to extend the note through December 31, 2017. On August 7, 2017 the note holder agreed to extend the note through December 31, 2018. As of June 30, 2018 and December 31, 2017, these two notes had accrued interest of \$63,797 and \$58,052,

respectively.

(b) The Company entered into various unsecured convertible promissory note in the total principal amount of \$110,691 to a related party. The note bears interest at an annual rate of 7% and were payable on or before twelve months from the date of issuance (all of which were extended as noted herein). In addition, the note may be converted at any time, at the option of the holder, into shares of the Company's common stock at a conversion price of \$0.12 per share, subject to adjustment. The Company recorded a debt discount of \$90,416 for the fair value of the beneficial conversion feature. The note holder agreed to extend the note through May 15, 2016. On May 15, 2016, the note holder agreed to extend the note through May 15, 2017, On August 7, 2017 the note holder agreed to extend the note through December 31, 2018. During the year ended December 31, 2017 the holder of the notes agreed to convert \$100,691 of notes and \$20,432 of accrued interest into 1,009,358 shares of common stock. As of June 30, 2018 and December 31, 2017, the Company fully amortized the debt discount and accrued interest amounted to \$2,566 and \$2,219, respectively.

(c) The Company entered into various unsecured convertible promissory note in the principal amount of \$239,975 to a related party. The note bears interest at an annual rate of 7% and were payable on or before twelve months from the date of issuance (all of which were extended as noted herein). In addition, the note may be converted at any time, at the option of the holder, into shares of the Company's common stock at a conversion price of \$0.20 per share, subject to adjustment. On August 13, 2016 the note holder agreed to extend the note through June 9, 2017. On August 7, 2017 the note holder agreed to extend the note through December 31, 2018. The Company recorded a debt discount of \$217,700 for the fair value of the beneficial conversion feature. During the year ended December 31, 2017 the holder of the notes agreed to convert \$219,975 of notes payable and accrued interest of \$25,013 into 1,224,940 shares of common stock. As of June 30, 2018 and December 31, 2017 the Company fully amortized the debt discount and accrued interest amounted to \$4,039 and \$3,345, respectively.

PAYMEON, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2018 AND 2017

(UNAUDITED)

NOTE 6 NOTES PAYABLE RELATED PARTY CONVERTIBLE (CONTINUED)

(d) The Company entered various unsecured convertible promissory notes in the principal amount of \$182,500 to a related party. The note bears interest at an annual rate of 7% and were payable on or before twelve months from the date of issuance (all of which were extended as noted herein). In addition, the note may be converted at any time, at the option of the holder, into shares of the Company's common stock at a conversion price of \$0.30 per share, subject to adjustment. On November 20, 2015, the note holder agreed to extend the note through April 30, 2016. On August 13, 2016 the note holder agreed to extend the note through April 30, 2017. On August 7, 2017 note holder agreed to extend the note through December 31, 2018. The Company recorded a debt discount of \$183,500 for the fair value of the beneficial conversion feature. During the year ended December 31, 2017 the holder of the notes agreed to convert \$1,882 of notes payable and accrued interest of \$343 into 7,417 shares of common stock As of June 30, 2018 and December 31, 2017 the Company fully amortized the debt discount and had accrued interest of \$43,307 and \$36,972, respectively.

(e) On January 20, 2015, the Company received a 7% unsecured promissory note in the principal amount of \$75,000 (the Note Receivable) from Prodeco Technologies, LLC, an affiliated entity. The note was payable January 20, 2018. The note holder was required to pay interest in the amount of \$1,312 per quarter due on the 15th each month following the end of the quarter until the maturity date. On February 6, 2015 the Company advanced an additional \$9,761 to Prodeco Technologies, LLC under the same terms due on February 8, 2018. For the year ended December 31, 2015 the Company has \$2,967 of interest income. During the year ended December 31, 2015 Prodeco Technologies, LLC, a related party, elected to accept the Note Receivable of \$84,760 and accrued interest of \$2,967 as payment against the notes payable - related party - convertible.

NOTE 7 NOTE PAYABLE CONVERTIBLE

On October 22, 2015, the Company issued an unsecured promissory note in the principal amount of \$300,000 to PDQ Auctions, LLC for leasehold improvements of the facilities subleased from PDQ Auctions, LLC. The note bears interest at an annual rate of 7% and was originally payable on or before October 22, 2017 (subsequently extended until May 2021, see below), unless the note was converted or prepaid prior to the maturity date. Subject to certain limitations below, the note may be converted at any time, at the option of the holder, into shares of the Company's common stock at a conversion price of \$0.35 per share, subject to adjustment. In the event the Company issues any

new or additional promissory notes that pay an interest rate that exceeds 7% per annum, then the holder shall be entitled to request an increase in the Interest rate payable on the note to an amount equal to the rate being paid on the new or additional notes (which occurred on September 22, 2017, see below). The conversion of the note may be limited if, upon conversion, the holder thereof would beneficially own more than 4.9% of the Company's common stock. The note may be prepaid at the option of the Company commencing 190 days after the issuance of the note. As of June 30, 2018 and December 31, 2017 accrued interest amounted to \$56,441 and \$46,027, respectively.

On September 22, 2017, the Company issued a total of 200,000 shares of common stock valued at \$72,000 (\$0.38 per share) in conjunction with an extension of the note to April 22, 2018. The interest rate on the Note was also increased to 10% per annum. In accordance with ASC 470-50 *Debt Modifications and Extinguishments*, the issuance of the 200,000 shares having a market value of \$72,000 at the point of issuance effectively created a new debt instrument due the present value of the cash flow under the terms of the new debt instrument was at least 10 percent different from the present value of the remaining cash flow under the terms of the original instrument using a discount rate 7% based on the original debt issuance rate. As a result, the modification to this debt instrument has been reflected as a material modification in the Company's consolidated statement of operations for the year ended December 31, 2017. On May 2, 2018, the Company secured a three-year extension of the convertible note in return for (1) a \$5,000 per month payment applicable to current interest and principal beginning on April 22, 2018, and (2) the issuance of 274,575 new, restricted common shares. The shares were issued on June 13, 2018. The Company has begun making monthly payments but is not current as required by the extension. As a result of this extension, the modification to this debt instrument will be reflected as a material modification in the Company's consolidated statement of operations in the quarter ending June 30, 2018 in the amount of \$90,061.

Interest expense for the Company's convertible notes payable for the three and six months ended June 30, 2018 was \$5,236 and \$10,414, respectively, compared to \$5,178 and \$10,356 to the three and six months ended June 30, 2017. Accrued interest for the Company's convertible notes payable at June 30, 2018 and December 31, 2017 was \$56,441 and \$46,027.

PAYMEON, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2018 AND 2017

(UNAUDITED)

NOTE 8 NOTES PAYABLE

On December 11, 2017, Basalt America entered into a promissory note with E Pay Funding in the amount of \$30,000. The promissory note bore an interest rate of 10% per annum and matured on March 11, 2018. On February 16, 2018, the Basalt America fully repaid this note plus \$690 of accrued interest. The prepayment did not have a penalty associated with it.

Interest expense for the Company's notes payable for the three and six months ended June 30, 2018 was \$0 and \$386, compared to no interest expense during the three and six months ended June 30, 2017. Accrued interest for the Company's notes payable at June 30, 2018 and December 31, 2017 was \$0 and \$321.

NOTE 9 NOTES PAYABLE RELATED PARTY

On May 25, 2017, the Company received \$10,000 in the form of a demand note from a Related Party (a director and former Chief Executive Officer). The note is payable on demand and has accrued interest of \$377 and \$203 as of June 30, 2018 and December 31, 2017, respectively.

On June 2, 2017, the Company received \$5,000 in the form of a demand note from a Related Party (a director and former Chief Executive Officer). The note is payable on demand and has accrued interest of \$769 and \$422 as of June 30, 2018 and December 31, 2017, respectively.

On August 9, 2017, the Company was issued a \$200,000 Secured Promissory Note and General Collateral Assignment and Security Agreement (the Note) with CAM Group of Florida (a company controlled by a current director) in the amount of \$200,000 with a due date of November 9, 2017. The note was issued in exchange for third-party payments in that amount. The Note bears interest at a rate of 10% per annum and is secured by all accounts, equipment, general intangibles, inventory and other collateral of the Company. On November 27, 2017, the Company was granted an extension to December 31, 2017. The Note was extended with no penalty and all original terms remain in place. On

December 31, 2017, the lender granted the Company another extension to February 28, 2018. The Note was extended with no penalty and all original terms remain in place. On March 19, 2018, the Note was amended to be a demand note. The Lender agreed to amend the Note with no penalty and all original terms remain in place. At June 30, 2018 and December 31, 2017 this note had accrued interest of \$17,808 and \$7,890, respectively. The principal amount of \$200,000 was converted into shares of common stock on August 30, 2018. All accrued interest as of that date was forgiven by the lender.

On March 19, 2018, the Company entered into a Demand Revolving Credit Line (Credit Line) with EAC (Lender), an entity owned by its former Chairman and CEO. Under the Credit Line, the Company may borrow up to \$100,000 at a simple interest rate of 5% per annum for its operating needs. There are no minimum borrowing requirements, the Company may revolve the credit as often as it likes, and either party may terminate the Credit Line at any time. All amounts outstanding under the Credit Line are due on demand from the Lender.

On March 28, 2018, the Company borrowed \$50,000 under the credit line from EAC. At June 30, 2018, the credit line has a balance of \$50,000 and accrued interest of \$1,240.

During the three months ended June 30, 2018, the Company issued unsecured, 4%, demand promissory notes to EAC totaling \$14,800. The Company repaid \$4,000 on April 11, 2018. As of June 30, 2018, these notes had accrued interest in the amount of \$214.

During the three months ended June 30, 2018, the Company issued unsecured, 4% percent, demand promissory notes to VCVC, LLC (VCVC) totaling \$152,500. VCVC, the personal holding company of our chairman and chief executive officer at the time of the notes, Vincent L. Celentano. As of June 30, 2018, these notes had accrued interest of \$3,025.

During the three months ended June 30, 2018, the Company issued five unsecured, 4% percent, ninety-day promissory notes to RVRM Holdings, LLC (RVRM) totaling \$90,000. RVRM is managed by Ronald J. LoRicco, Sr., a member of our board of directors. As of June 30, 2018, these notes had accrued interest of \$1,785. The \$90,000 in principal to RVRM was converted for 1,200,000 shares of common stock. The accrued interest through this date was forgiven by RVRM.

Interest expense for the Company's convertible notes payable for the three and six months ended June 30, 2018 was \$8,397 and \$17,072, respectively, compared to \$0 and \$96 to the three and six months ended June 30, 2017. Accrued interest for the Company's convertible notes payable at June 30, 2018 and December 31, 2017 was \$25,218 and \$8,837.

PAYMEON, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2018 AND 2017

(UNAUDITED)

NOTE 10 PURCHASE ORDER FINANCING - RELATED PARTY

On September 14, 2016, PayMeOn Brands, Inc. entered into a purchase order purchase and sale agreement with a related party through common ownership, whereby PayMeOn Brands sold \$5,000 of current purchase orders in exchange for \$4,000 cash. As a further inducement for purchaser to enter into the agreement as collateral security for any and all obligations owing by PayMeOn Brands to purchaser, PayMeOn Brands has granted to purchaser, as collateral security, a first lien security interest in all of PayMeOn Brands' accounts created as a result of purchase orders financed or purchased by purchaser and all inventory. The Company recorded a \$1,000 deferred finance charge on the date of issuance. As of December 31, 2016, the Company amortized all of the \$1,000 deferred finance charge. As of June 30, 2018 and December 31, 2017, the Company had a balance outstanding of \$4,000. The \$4,000 is included in current liabilities held for sale on the June 30, 2018 and December 31, 2017 consolidated balance sheets.

NOTE 11 COMMITMENTS AND CONTINGENCIES

Employment Contracts

On August 15, 2011, the Company entered into an employment agreement with its then Chief Executive Officer (who subsequently resigned in April 2018). The agreement was for a period of one year and was to remain in effect until either party notified the other not to further extend the employment period, provides for an annual base salary totaling \$250,000 and annual bonuses based on pre-tax operating income, as defined, for an annual minimum of \$50,000 in total. On July 18, 2014, the Company's then Chief Executive Officer forgave \$326,727 of accrued payroll and amended his employment agreement to reduce his base salary by 30% and eliminated his guaranteed bonus of \$50,000 per year.

For the three and six months ended June 30, 2018, the Company recorded a salary expense of \$6,182 and \$49,932, respectively. Salary expense for the three and six months ended June 30, 2017 was \$43,750 and \$87,500. Accrued compensation at June 30, 2018 and December 31, 2017 was \$271,354 and \$468,922, respectively (See Note 14) and this is included in accrued expenses on the consolidated balance sheets. On March 19, 2018, our Chairman and CEO agreed to forgive \$200,000 of accrued payroll due and payable to him along with the \$15,300 of accrued payroll taxes

on this amount. Our Chairman and CEO received no compensation of any kind in return for the forgiveness.

Leases

On May 1, 2013, the Company entered into a lease agreement for executive offices located at 2400 E. Commercial Blvd., Suite 612, Fort Lauderdale, Florida. The facility was approximately 4,777 square feet. The lease was for a term of 39 months at a current cost of approximately \$9,900 per month. The lease contained three months of deferred rent that would be forgiven if the Company made its 36 required monthly payments timely. The Company was also required to make a security deposit of \$31,407. As of March 31, 2014, the Company had not been timely on its monthly payments and is in default of the agreement. On March 31, 2014, the Company received a "notice of default" from legal counsel representing the landlord for the office space. The letter demanded immediate payment of \$41,937 for rent past due as of April 1, 2014. On May 15, 2014, the Company returned the office space to the landlord. As of May 20, 2014, the Company had not been able to pay its outstanding rent obligation and the landlord had accelerated all rent obligations due under the lease agreement. The Company had been served with a civil lawsuit with Case # 14007105 filed on February 11, 2015. The Landlord is seeking \$376,424 in accelerated rent and damages and \$12,442 for its attorney's costs. On April 22, 2015, the motion for unpaid rent, recovery of abated rents and tenant improvements and attorney's costs was granted by the Circuit Court for the 17th Judicial Circuit in and for Broward County in the amount of \$388,866. The Company has accrued the full amount of rent and attorney costs as of December 31, 2016. As of June 30, 2018 and December 31, 2017 the Company had accrued \$58,956 and \$49,796, respectively of interest associated with the judgment.

PAYMEON, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2018 AND 2017

(UNAUDITED)

NOTE 11 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Leases (Continued)

On October 22, 2015, the Company's wholly owned subsidiary, HLM PayMeOn, Inc., entered into a sublease agreement with PDQ Auctions, LLC to lease retail premises located 2599 North Federal Highway, Fort Lauderdale, FL 33305. The premises are used to operate a retail electric hover board, bicycle and related product store under the Company's irideelectric brand. The sublease is for an initial term of approximately five years at an initial monthly sum of \$5,617 and an additional five-year term at a monthly sum of \$5,899. As consideration for leasehold improvements, the Company issued PDQ Auctions, LLC a convertible note payable in the amount of \$300,000 (See Note 7). During the six months ended June 30, 2017 the Company vacated the location as it was unable to be used to support our retail operations as a result of a car accident in December 2016. In conjunction with the accident, the landlord informed the Company that it would no longer be expected to be responsible for amounts due under the lease from the time of the accident forward. Accordingly, we have not accrued any amounts due under the lease in our financial statements since the time of the accident. The Company is pursuing legal action against the driver, whom we believe was insured, in the Circuit Court of the 17th Judicial Circuit in and for Broward County, Florida.

On March 31, 2017, the Company entered into a lease agreement for manufacturing and general office facilities located at 2688 NW 29th Terrace, Building 13, Oakland Park, Fl. 33311 for Basalt America. The facility is for approximately 12,921 square feet. The lease is for six separate six-month terms. The Company has the right to terminate the lease at the end of each term by providing the landlord with 60-days notice prior to the end of any of the six-month terms. Lease payments are approximately \$11,520 per month during the first two terms of the lease and rise to approximately \$12,450 per month during the last two terms of the lease.

Future minimum lease commitments due for facilities leases under operating leases at June 30, 2018 are as follows, if the Company completes all of the separate six-month terms:

2018	\$	71,172
2019		147,986

2020	37,353
Total minimum lease payments	\$ 256,511

Basalt America and RAW Energy Materials Corp., Global Energy Sciences, LLC, and RAW LLC

On February 21, 2017, the Company assumed certain obligations in conjunction with its acquisition of Basalt America, including:

On December 11, 2016, Basalt America entered into a License Agreement with Raw Energy Materials Corp. (RAW) for exclusive rights for use of certain intellectual property associated with the production of certain concrete reinforcement products for the construction industry. On February 2, 2017, RAW assigned the License Agreement to its affiliate, Global Energy Sciences, LLC (Global Energy). The License Agreement provided for Basalt America to have exclusive rights for use of the intellectual property in conjunction with product sales for the State of Florida, the Caribbean Islands (excluding Cuba), and Peru (Licensed Territory). In addition, Basalt America had purchase rights on a Right of First Refusal basis for areas outside the Licensed Territory. The License Agreement required that Basalt America purchase goods used in its production of the products from RAW or its affiliates for a purchase price equal to RAW s gross-cost plus five percent. In addition, under the original agreement, RAW or its affiliates were entitled to sales commissions for any sales of products generated within Basalt America s Licensed Territory they solicit by their own initiative from bona fide third parties that become new customers. Sales commissions would be paid according to the following commission schedule:

RAW generated sales within the Licensed Territory	RAW Commission
Up to \$1,000,000	5%
\$1,000,001 to \$2,000,000	4%
\$2,000,001 to \$3,000,000	3%
\$3,000,001 to \$4,000,000	2%
\$4,000,001 +	1%

PAYMEON, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2018 AND 2017

(UNAUDITED)

NOTE 11 COMMITMENTS AND CONTINGENCIES (CONTINUED)

First Amendment to License Agreement Between Basalt America and RAW Energy Materials Corp. and RAW LLC:

On January 15, 2017, the Company entered into a consulting agreement with RAW, LLC to conduct research, development and related services for the Company in exchange for \$10,000 per month. The agreement has a term of 5 years and contains standard representations, warranties and indemnifications.

On January 15, 2017, the Company entered into a consulting agreement with Yellow Turtle Design, LLC to conduct graphic arts design and various other computer aided design (CAD) services for the Company in exchange for \$5,000 per month. The agreement has a term of 5 years and contains standard representations, warranties and indemnifications.

On January 5, 2017, Basalt America entered into a First Amendment to License Agreement (First Amendment) whereby in addition to the State of Florida, the Caribbean Islands (excluding Cuba) and Peru, Basalt America expanded its Licensed Territory to include the continental United States in exchange for a \$500,000 Option Fee and certain other obligations (further detailed in a Post-Closing Letter Agreement). The First Amendment provides certain operational parameters that Basalt America must meet by July 1, 2018 in order to maintain its exclusivity within the Licensed Territory. Basalt America and RAW are negotiating this clause as of the date of filing. The Option Fee was paid to RAW on January 11, 2017. The First Amendment also entitles RAW to receive 4% of the total gross sales of Basalt America s business operations within the Licensed Territory.

As of June 30, 2018 and December 31, 2017, \$3,753 and \$388, respectively, was due under the percentage of gross sales obligations to RAW or its affiliates.

On April 18, 2018, Basalt America and the Company received a letter from counsel representing RAW LLC providing formal notice that Basalt America and the Company had breached and/or violated several sections of its license agreement and amendments, and that RAW LLC was immediately terminating all agreements and amendments. The Company does not believe it is in breach of its agreements and is working towards reaching an amicable solution. The Company is prepared to pursue litigation if it cannot achieve a resolution.

On January 5, 2017, Basalt America RAW Energy Materials, LLC (RAW), and RAW Materials Corp (RAW Materials) entered into a Post-Closing Letter Agreement (Letter Agreement) that detailed, among other things, financial obligations of Basalt America in addition to the Option Fee. The Letter Agreement also detailed that Basalt America would continue to own 10% of Raw Materials and that RAW Materials would serve as the global clearinghouse for any manufacturing operations conducted by Don Smith. The investment value was written off by Basalt America prior to the acquisition by the Company.

As of June 30, 2018 the Company has not recorded the remaining \$400,000 per the post-closing letter agreement as they have neither taken delivery or paid for the remaining rebar machines owed to them under this agreement. As a result, the Company has an off-balance sheet commitment of \$400,000 payable to RAW. The Company has paid \$1,200,000 of the \$1,600,000 for additional rebar machines and this amount is reflected on the Company s consolidated balance sheet as a deposit on equipment. The obligations are outlined below:

Description	\$ Obligation	Date Met
License Option Fee	500,000	1st Qtr 2017
Finished Inventory	400,000	1st Qtr 2017
Raw Materials, Misc	60,000	1st Qtr 2017
Equipment, Misc tools	50,000	2nd Qtr 2017
Rebar Mfg Machines	400,000	2nd Qtr 2017
Addl Rebar Mfg Machines	1,600,000	3 rd & 4 th Qtr 2017and 1 st & 2 nd Qtr. 2018- partially met

PAYMEON, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2018 AND 2017

(UNAUDITED)

NOTE 11 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Territory Joint Ventures

During the second quarter of 2017, the Company entered into a term sheet for a Joint Venture with accredited investors for the management of Basalt America Territory 1, LLC, which will have the exclusive rights to manage sales for Dade, Broward and Monroe Counties in the State of Florida. In conjunction with entering into the Joint Venture, the investors provided total proceeds of \$502,500 which was used for the purchase of inventory from May to August 2017. Operations have commenced during the fourth quarter of 2017. The Company owns 55.3% of the joint venture and the investors own 44.7% of the joint venture. Through June 30, 2018, the Company entered into term sheets for this Joint Venture with a related party for \$288,750 and five accredited investors for a total of \$213,750. The funds were used as a deposit to purchase inventory. The non-controlling interest as of June 30, 2018 and December 31, 2017, \$224,827 and \$224,475.

During the six months ended June 30, 2017 the Company formed Basalt America Territory 2, LLC, which will have the exclusive rights to manage sales for Rhode Island. As of the date of this report, the Joint Venture has not been formalized (no definitive documentation, nor operating agreement have been executed) and has not commenced operations. If and when the Joint Venture is formalized, it is expected that the Company will own 50% of the Joint Venture.

NOTE 12 STOCKHOLDERS EQUITY (DEFICIT)

Preferred Stock

The Company is authorized to issue up to 5,000,000 shares of preferred stock, par value \$0.001. The designations and attributes of the preferred stock are subject to the future determination by the Company's board of directors. The Company has not issued any preferred shares.

Common Stock

The Company is authorized to issue up to 1,000,000,000 shares of common stock, par value \$0.001.

Calendar Year 2018

On May 2, 2018, the Company secured a three-year extension of the convertible note in return for (1) a \$5,000 per month payment applicable to current interest and principal beginning on April 22, 2018, and (2) the issuance of 274,575 new, restricted common shares. The shares were issued on June 13, 2018. The Company has commenced making the \$5,000 per month payments but is not current as required by the extension. As a result of this extension, the modification to this debt instrument is reflected as a material modification in the amount of \$90,061 in the Company's consolidated statement of operations in the three months ended June 30, 2018.

During the six months ended June 30, 2018, the Company issued 2,438,299 common shares for total proceeds of \$575,240 (\$0.15 to \$0.30 per share). In addition, various investors received five-year warrants to acquire 562,500 shares at \$0.40, 562,500 shares at \$0.60, 400,000 shares at \$0.50 and 350,000 shares at \$0.15 per share.

Calendar Year 2017

On February 21, 2017, the Company entered into and completed a membership interest purchase agreement to acquire 100% of the membership interests of Basalt America. Basalt America was organized under the laws of the State of Florida in November 2016. Basalt America leverages its licensed intellectual property, technology and processes to produce Basalt Fiber Reinforced Polymer products that are used as replacements for steel products that reinforce concrete such as rebar. Former Chairman and CEO and current consultant, Edward A. Cespedes and our current CEO and director and largest individual shareholder, Vincent L. Celentano, are the Managing Members of Basalt America. In consideration of the acquisition of all of the issued and outstanding membership interests of Basalt America, the Company issued an aggregate of 95,500,000 restricted shares of its common stock to the members of Basalt America. For accounting purposes, the transaction was recorded at historical cost in accordance with ASU 805-50-25-2 as was considered an acquisition of entities under common control as the board of directors of the Company and of Basalt America are the same and control the activities of the respective companies. As part of this agreement Basalt America entered into a letter agreement with Raw Materials Corp and RAW LLC.

PAYMEON, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2018 AND 2017

(UNAUDITED)

NOTE 12 STOCKHOLDERS EQUITY (DEFICIT)

Common Stock (Continued)

Calendar Year 2017 (Continued)

On June 29, 2017, a related party converted \$368,366 of convertible notes issued from 2014 to 2016 to 2,248,620 restricted common shares. The dollar amount included \$323,048 of principal and \$45,318 of accrued interest.

On September 22, 2017, the Company issued a total of 200,000 shares in conjunction with an extension of a \$300,000 principal amount Convertible 7% per annum Note (Note) with an original maturity date of September 22, 2017. The maturity date was extended to April 22, 2018. The interest rate on the Note was increased to 10% per annum. The shares were valued at \$72,000 (\$0.38 per share) at time of issuance. In accordance with ASC 470-50 *Debt Modifications and Extinguishments*, the issuance of the 200,000 shares having a market value of \$72,000 at the point of issuance effectively created a new debt instrument due the present value of the cash flow under the terms of the new debt instrument was at least 10 percent different from the present value of the remaining cash flow under the terms of the original instrument using a discount rate 7% based on the original debt issuance rate. As a result, the modification to this debt instrument has been reflected as a material modification in the Company's quarter ended September 30, 2017.

During the year ended December 31, 2017, the Company sold a total of 9,446,938 shares to accredited investors, including related parties, for proceeds of \$2,176,180 (at an average of \$0.23 per share).

During the year ended December 31, 2017, the Company issued 3,730,000 shares of common stock for services rendered and to be rendered which is reflected in stock-based compensation. Value represents contracts entered into with various consultants, with the grant date fair value amortized over the life of the contracts.

NOTE 13 OPTIONS AND WARRANTS**Stock Options:**

The following tables summarize all options and warrant grants to consultants for the year and six months ended December 31, 2017 and June 30, 2018 and the related changes during these periods are presented below.

	Number of Options		Weighted Average Exercise Price		Aggregate Intrinsic Value
Balance at December 31, 2016	4,207,181	\$	0.49	\$	
Granted	1,560,000		0.25		
Exercised	(167,181)		(0.10)		
Expired					
Balance at December 31, 2017	5,600,000	\$	0.43	\$	741,600
Granted					
Exercised					
Expired					
Balance at June 30, 2018	5,600,000	\$	0.43	\$	

On April 16, 2014, the Company granted options to purchase 167,181 shares of its common stock to consultants at an exercise price of \$.10 per share. The options vest immediately. The options were set to expire on April 16, 2017. The options were valued using the Black Scholes Option Pricing Model with the following assumptions: dividend yield of 0%, annual volatility of 105%, risk free interest rate of .87%, an expected life of three years. On April 4, 2017, a consultant exercised stock options of 167,181 with an exercise price of \$0.10 for \$16,718.

PAYMEON, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2018 AND 2017

(UNAUDITED)

NOTE 13 OPTIONS AND WARRANTS (CONTINUED)

Stock Options (Continued):

Fiscal year 2018

For the six months ended June 30, 2018, no options were issued by the Company. On September 17, 2018, the former CEO of the Company canceled his 1,000,000 options granted to him on February 25, 2016.

Fiscal year 2017

On January 30, 2017, the Company issued stock options to acquire a total of 200,000 shares of the Company's common stock to three employees. The options have a strike price of \$0.25 per share and expire on January 30, 2024. The options were valued using the Black Scholes Option Pricing Model, with the following assumptions: dividend yield at 0%, annual volatility of 188%, risk free interest rates of 1.19% based on expected life of two years.

On October 17, 2017, the Company granted options to purchase 1,360,000 shares at a strike price of \$0.25 per share to consultants and directors. For the options to the consultants, twenty-five percent of the options were immediately vested at the time of issuance with the remainder having a vesting schedule of twenty-five percent per annum on each of October 17, 2018, October 17, 2019, and October 17, 2020. The options expire on October 17, 2022. The director options vested immediately as it was for compensation for joining the Board of Directors and expensed immediately. These options expire October 17, 2022 as well.

The Company issued 167,181 shares of stock in the exercise of 167,181 stock options on April 5, 2017.

During the six months ended June 30, 2018 and 2017 total stock option expense amounted to \$3,028 and \$1,056, respectively.

As of June 30, 2018 and December 31, 2017, there were 5,600,000 and 5,600,000, respectively of stock options issued. Of the options issued, 5,007,500 were vested as of June 30, 2018 and 4,497,500 were vested as of December 31, 2017.

Stock Warrants:

	Number of Warrants	Weighted Average Exercise Price
Balance at December 31, 2016		\$
Granted	5,650,000	0.46
Exercised		
Expired		
Balance at December 31, 2017	5,650,000	\$ 0.46
Granted	1,525,000	0.50
Exercised		
Expired		
Balance at June 30, 2018	7,175,000	\$ 0.47

Fiscal year 2018

As of June 30, 2018, a total of 1,525,000 warrants were issued to investors as a stock purchase incentive with an average grant price of \$0.50 and a five-year term. 562,500 warrants were issued at \$0.40, 400,000 at \$0.50 and 562,500 at \$0.60.

In August 2018, the Company issued 350,000 warrants to investors at a grant price of \$0.15 and a five-year term.

PAYMEON, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2018 AND 2017

(UNAUDITED)

NOTE 13 OPTIONS AND WARRANTS (CONTINUED)

Stock Warrants (Continued):

Fiscal year 2017

During the year ended December 31, 2017 the Company issued the following warrants:

2,175,000 warrants with a strike price of \$0.40 per share and 2,075,000 warrants with a strike price of \$0.60 per share in subscription agreements for units purchased by accredited investors during the year. The warrants issued have a five-year term. In addition, the Company issued 400,000 warrants to an investor with a strike price of \$0.25 per share to an investor as part of the subscription agreement with a five-year term.

1,000,000 warrants with a strike price of \$0.40 per share issued to consultants as part of their agreements. These warrants have a five-year term.

NOTE 14 RELATED PARTIES

On August 15, 2011, the Company entered into an employment agreement with its then Chief Executive Officer. The agreement was for a period of one year and was to remain in effect until either party notified the other not to further extend the employment period, provides for an annual base salary totaling \$250,000 and annual bonuses based on pre-tax operating income, as defined, for an annual minimum of \$50,000 in total. On July 18, 2014, the Company's Chief Executive Officer forgave \$326,727 of accrued payroll and amended his employment agreement to reduce his base salary by 30% and eliminated his guaranteed bonus of \$50,000 per year. On April 13, 2018, Edward A. Cespedes resigned as the chairman and chief executive officer of our Company and all our subsidiaries. For the three and six

months ended June 30, 2018 the recorded Chief Executive Officer salary expense was \$6,182 and \$49,932, respectively. For the three and six months ended June 30, 2017 the recorded Chief Executive Officer salary expense was \$43,750 and \$87,500, respectively. Accrued compensation at June 30, 2018 and December 31, 2017 was \$271,354 and \$468,922, respectively (See Note 11) and is included in accrued expenses on the consolidated balance sheets. On March 19, 2018, our Chairman and CEO agreed to forgive \$200,000 of accrued payroll due and payable to him along with \$15,300 of accrued payroll taxes on this amount. Our Chairman and CEO received no compensation of any kind in return for the forgiveness.

On April 5, 2017, the Company issued 250,000 shares of common stock to a newly appointed Director. The Company valued the shares at \$62,500, the value of the common stock on the date of the agreement.

On May 4, 2017, the Company sold a total of 170,000 shares to a Related Party for proceeds \$42,500 (\$0.25 per share).

On November 14, 2017, the Company sold a total of 1,520,000 shares to related parties to current management and directors for proceeds of \$380,000 (\$0.25 per share). In addition, the investor received five-year warrants to acquire 760,000 shares for a strike price of \$0.40 and five-year warrants to acquire 760,000 shares for a strike price of \$0.60 per share.

On April 4, 2018, the Company entered into four extension agreements for its four convertible notes payable due to a related party with a net principal balance of \$290,273, which is net of offsets. These notes were extended through December 31, 2018. These notes were previously extended on August 7, 2017 when the note holder agreed to extend the notes through March 31, 2018. On April 4, 2018 the note holder agreed to extend the notes through December 31, 2018.

PAYMEON, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2018 AND 2017

(UNAUDITED)

NOTE 14 RELATED PARTIES (CONTINUED)

On April 13, 2018, upon the resignation of Edward A. Cespedes, EAC Management, LLC (EAC), the personal holding company of our former chairman and chief executive officer, Mr. Cespedes issued a demand for repayment of \$50,000 borrowed under the Demand Revolving Credit Line. The amount has not been paid as of the date of filing. As of June 21, 2018, the Company had failed to repay amounts due EAC, and was in default. On June 21, 2018, EAC waived the default and granted the Company an extension of time to make repayment to July 15, 2018. The Company did not make payment by the expiration of the extension issued by EAC. On July 24, 2018, EAC granted the Company another extension to August 31, 2018. On September 19, 2018, EAC waived the default and granted the Company an extension of time to make repayment to October 15, 2018. EAC received no additional compensation or benefits of any kind in conjunction with granting the extension. As of June 30, 2018, this demand note had accrued interest of \$1,240.

On April 14, 2018, the Company entered into a consulting agreement with EAC Management, LLC. EAC is the personal holding company of our former chairman and chief executive officer, Edward A. Cespedes. Under the agreement EAC will provide the Company with general corporate and other services at the direction of the Board of Directors. The agreement is for a period of twelve months and can be terminated by either party with written notice. The agreement contains standard representations, warranties, and indemnifications from EAC and the Company. Mr. Cespedes has no executive authority under the agreement. Compensation under the agreement is flexible. The agreement sets target compensation for EAC at \$15,000 per month and allows for the Company to pay EAC less based on its financial wherewithal at any given time. The agreement also contains customary terms, including reimbursement for certain health and business-related expenses. As of June 30, 2018, the Company had accrued fees payable to EAC of \$26,250.

During the three months ended June 30, 2018, the Company issued unsecured, 4%, demand promissory notes to EAC totaling \$14,800. The Company repaid \$4,000 on April 11, 2018. As of June 30, 2018, these notes had accrued interest in the amount of \$214.

During the three months ended June 30, 2018, the Company issued unsecured, 4% percent, demand promissory notes to VCVC, LLC totaling \$152,500. VCVC, the personal holding company of our chairman and chief executive officer at the time of the notes, Vincent L. Celentano. As of June 30, 2018, these notes had accrued interest of \$3,025.

During the three months ended June 30, 2018, the Company issued five unsecured, 4% percent, ninety-day promissory notes to RVRM totaling \$90,000. RVRM is managed by Ronald J. LoRicco, Sr., a member of our board of directors. As of June 30, 2018, these notes had accrued interest of \$1,785. The \$90,000 in principal to RVRM was converted for 1,200,000 shares of common stock. The accrued interest through this date was forgiven by RVRM.

As of June 30, 2018 and December 31, 2017, the Company's former Chief Executive Officer and current consultant was owed \$7,011 and \$51,048 for amounts paid on behalf of the Company.

See Note 6 for Convertible Notes Payable Related Party, Note 11 for Commitments involving Related Parties and Note 13 for issuance of stock options to related parties.

NOTE 15 CONCENTRATIONS

For the six months ended June 30, 2018, one customer amounted to 85% of product sales from continuing operations. The Company had no sales during the six months ended June 30, 2017.

Concentration risks for discontinued operations have not been reflected as the Company does not consider this risk to be material to the Company any longer.

PAYMEON, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2018 AND 2017

(UNAUDITED)

NOTE 16 SUBSEQUENT EVENTS

On July 11, 2018, the Company sold a total of 400,000 shares to an accredited investor for proceeds of \$30,000 (\$0.075 per share). In conjunction with the investment, the investor agreed to a twelve-month resale restriction.

On July 24, 2018, EAC Management, LLC granted the Company an extension to repay the Demand Note originally called on April 13, 2018. On April 13, 2018, upon the resignation of Edward A. Cespedes, EAC Management, LLC issued a demand for repayment of \$50,000 borrowed under the Demand Revolving Credit Line. The amount was not paid by the Company upon demand from EAC. On June 21, 2018, EAC waived the default and granted the Company an extension of time to make repayment to July 15, 2018. The Company did not make payment by the expiration of the extension issued by EAC. On July 24, 2018, EAC granted the Company another extension to August 31, 2018. On September 19, 2018, EAC granted another extension to repay this amount until October 15, 2018. EAC received no additional compensation or benefits of any kind in conjunction with granting the extension.

On August 13, 2018, the Company formed a new wholly-owned subsidiary, Basanite Industries, LLC. Basanite Industries, LLC was incorporated in Delaware and has not yet commenced operations.

On August 15, 2018, the Company sold a total of 1,333,333 shares to a related party, RVRM for proceeds of \$100,000 (\$0.075 per share). Ronald J. LoRicco, Sr., a member of our board of directors is the manager of RVRM.

On August 15, 2018, RVRM agreed to convert \$90,000 principal amount of notes outstanding for 1,200,000 restricted shares of the Company's common stock. The debt was held by RVRM and was converted at a price per share of \$0.075. Ronald J. LoRicco, Sr., a member of our board of directors is the manager of RVRM. As part of this agreement, accrued interest in the amount of \$2,239 was forgiven by the noteholder.

On August 16, 2018, CAM Group of Florida agreed to convert \$200,000 principal amount of notes outstanding for 2,666,667 restricted shares of the Company's common stock. The debt was held by CAM Group of Florida and was

converted at a price per share of \$0.075. Frank Monti, Sr., a member of our board of directors is an officer of CAM Group of Florida. As part of this agreement, associated accrued interest in the amount of \$20,329 was forgiven by the noteholder.

On August 16, 2018, the Company sold a total of 150,000 shares to an accredited investor for proceeds of \$15,000 (\$0.10 per share). In addition, the investor received five-year warrants to purchase 150,000 shares of the Company's common shares for a strike price of \$0.15 per share.

On August 16, 2018, the Company sold a total of 200,000 shares to an accredited investor for proceeds of \$20,000 (\$0.10 per share). In addition, the investor received five-year warrants to purchase 200,000 shares of the Company's common shares for a strike price of \$0.15 per share.

On August 16, 2018, the Company sold a total of 66,667 shares to an accredited investor for proceeds of \$5,000 (\$0.075 per share).

On August 16, 2018, the Company appointed David Anderson its Interim Chief Executive Officer and Interim Principal Financial Officer. In conjunction with the appointment, the Company issued 1,000,000 warrants to purchase at a strike price of \$0.1235 per share. The warrants were immediately vested at time of issuance and have a five-year life.

On August 16, 2018, the Company accepted the resignation of Vincent L. Celentano as Chief Executive Officer and Principal Financial Officer of the Company and its subsidiaries.

On August 17, 2018, the Company sold a total of 666,667 shares to a related party, ARGJ, LLC, for proceeds of \$50,000 (\$0.075 per share). Ronald J. LoRicco, Sr., a member of our board of directors is the manager of ARGJ, LLC.

On August 22, 2018, EAC returned 500,000 common shares to the Company's treasury account. EAC is the personal holding company of our former chairman and chief executive officer, Edward A. Cespedes. Neither EAC nor Mr. Cespedes received any compensation for the return of the shares.

PAYMEON, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2018 AND 2017

(UNAUDITED)

NOTE 16 SUBSEQUENT EVENTS (CONTINUED)

On August 24, 2018, the Company sold a total of 1,333,333 shares to a related party, Paul Sallarulo for proceeds of \$100,000 (\$0.075 per share). Paul Sallarulo is a member of our board of directors.

On August 30, 2018, the Company issued a total of 4,500,000 shares to consultants due under five consulting agreements. The issuance completes the Company's obligation under the consulting agreements.

Effective September 10, 2018, the Company terminated nine separate consulting agreements. At the time of termination, the Company had no further obligations for payments of any kind and there were no termination payments due.

On September 13, 2018, the Company's former chairman and chief executive officer, Edward A. Cespedes, forgave \$77,780 of accrued vacation pay due him. Mr. Cespedes did not receive any compensation in return for the forgiveness.

On September 17, 2018, the Company's former chairman and chief executive officer relinquished a vested stock option to purchase 1,000,000 shares of the Company's common stock for a strike price of \$0.51 per share.

On September 19, 2018, EAC granted the Company an extension until October 15, 2018 to repay the Demand Note originally called on April 13, 2018. Upon the resignation of Edward A. Cespedes, EAC issued a demand for repayment of \$50,000 borrowed under the Demand Revolving Credit Line. The amount was not paid by the Company upon demand from EAC. EAC received no additional compensation or benefits of any kind in conjunction with granting the extension.

Related Party Notes 3rd Quarter, 2018

EAC Management, LLC

During the third quarter, the Company issued EAC unsecured, 4% percent, demand promissory note in the amount of \$1,100. The notes were repaid during the quarter. In addition, remaining amounts outstanding under the notes issued to EAC during the second quarter were repaid in full during the quarter totaling \$11,900.

VCVC, LLC

During the third quarter the Company issued VCVC unsecured, 4% percent, demand promissory notes totaling \$102,500.

ITEM 2.

MANAGEMENTS DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements. These forward-looking statements are based on our management's beliefs, assumptions and expectations and on information currently available to our management. Generally, you can identify forward-looking statements by terms such as may, will, should, could, would, expects, plans, anticipates, believes, estimates, projects, predicts, potential and similar expressions. Forward-looking statements identify forward-looking statements, which generally are not historical in nature. All statements that address operating or financial performance, events or developments that we expect or anticipate will occur in the future are forward-looking statements, including without limitation our expectations with respect to product sales, future financings, or the commercial success of our products. We may not actually achieve the plans, projections or expectations disclosed in forward-looking statements, and actual results, developments or events could differ materially from those disclosed in the forward-looking statements. Our management believes that these forward-looking statements are reasonable as and when made. However, you should not place undue reliance on forward-looking statements because they speak only as of the date when made. We do not assume any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by federal securities laws and the rules of the Securities and Exchange Commission (the "SEC"). We may not actually achieve the plans, projections or expectations disclosed in our forward-looking statements, and actual results, developments or events could differ materially from those disclosed in the forward-looking statements. Forward-looking statements are subject to a number of risks and uncertainties, including without limitation those described from time to time in our future reports filed with the SEC.

The following discussion and analysis of our financial condition and results of operations should be read together with our unaudited interim consolidated financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q.

Overview

On March 16, 2011 PayMeOn, Inc., a Nevada corporation organized on May 30, 2006 (the "Company" or "PayMeOn") completed its agreement and plan of merger (the "Merger Agreement") to acquire Hyperlocal Marketing, LLC, a Florida limited liability company ("Hyperlocal"), pursuant to which Hyperlocal merged with and into HLM PayMeOn, Inc., a Florida corporation and wholly owned subsidiary of the Company. Under the terms of the Merger Agreement, the Hyperlocal members received 301,296 shares of the Company common stock, which equals

approximately 50.1% of the total shares of the Company issued and outstanding following the merger on a fully diluted basis. In accordance with the Financial Accounting Standards Board (FASB) Accounting Standard Codification (ASC) Topic 360-10-45-15, the transaction was accounted for as a reverse acquisition. Hyperlocal was considered the accounting acquirer and the acquire was the Company since the members of Hyperlocal obtained voting and management control of the Company and the transaction has been accounted for as a reverse merger and recapitalization.

During the first quarter of 2017 we acquired the exclusive rights as licensee to manufacture and distribute concrete reinforcement products in various territories (see below) under the Basalt America name. Prior to entering into the license, we primarily sold electric bicycles and opportunistically operated our apparel business, known as Paymeon Brands. During the first quarter of 2018, our board of directors approved a plan to discontinue our electric bicycle and apparel businesses. Going forward, our primary focus and resources will continue to be on our concrete reinforcement products business known as Basalt America.

On April 13, 2018, Edward A. Cespedes resigned as the chairman and chief executive officer of our Company and all our subsidiaries.

On April 13, 2018, Vincent L. Celentano was appointed chairman and chief executive officer of our Company and all our subsidiaries. Mr. Celentano is the largest individual shareholder of our Company.

On August 16, 2018, the Company appointed David Anderson its Interim Chief Executive Officer and Interim Principal Financial Officer.

BASALT AMERICA

In February 2017, we acquired 100% of the membership interests of Basalt America, LLC. Basalt America leverages its licensed intellectual property, technology and processes to produce Basalt Fiber Reinforced Polymer products that are used as replacements for steel products such as rebar that reinforce concrete. In March 2017, we announced our intention to change our parent Company name from Paymeon, Inc. to Basalt America, Inc., in order to better reflect the primary focus of our Company going forward.

Basalt America is the exclusive licensee under a license agreement with Global Energy Sciences for its concrete reinforcement products known as RockRebar®, RockStirrups®, RockMesh®, and RockStaples . The license provides Basalt America with exclusivity for the United States, (excluding California and Hawaii), the Caribbean (excluding Cuba), and Peru. It also provides that Basalt America shall have a right of first refusal for all other territories in the world.

Manufacture of concrete reinforcement products made from basalt fiber create substantial benefits for the construction industry, including but not limited to:

.

No corrosion – steel reinforcement products rust, our products do not

.

Sustainability and Lifecycle – production of our products results in exceptionally low “carbon footprint.” Lack of corrosion allows the “lifespan” of projects to be much longer

.

Cost – the physical nature of our products relative to steel (much lighter, easily transportable, spoolable) reduces the all-in cost of reinforcement products when factors such as transportation and liability are considered

We believe that macroeconomic factors, such as global infrastructure in need of repair, trends towards the consideration of lifespan of projects, and their environmental impact, position our Company to benefit from the construction industry’s growing interest in the use of alternative reinforcement materials.

Since completion of our acquisition of Basalt America, we have moved our headquarters to a facility located in Oakland Park, Florida that is approximately 14,000 square feet in size. During the second quarter, we began preparation of the facility for production. The facility has the ability to produce approximately two to three miles of basalt fiber reinforced polymer rebar per day.

During the second quarter of 2017, we also created two joint ventures to manage defined Territories within our licensed geography. We created Basalt America Territory 1, LLC to manage the sales, distribution and marketing of our products for Dade, Broward, and Monroe Counties in the State of Florida. The joint venture is owned 55.3% by Basalt America and 44.7% by investors, including a related party. We also created Basalt America Territory 2, LLC to manage the sales, distribution and marketing of our products for the state of Rhode Island. The joint venture is to be owned 50% by Basalt America and 50% by a third-party investor. Basalt America Territory 2, LLC has not yet been formalized and has not yet commenced operations.

The joint ventures will buy product for resale from Basalt America with dedicated production capacity paid for by the joint ventures.

During the third and fourth quarters of 2017, we began creating technical documentation and other processes to support the introduction of our products to the construction industry. We commenced discussions (introductory and educational) with various members of the construction industry, including architects, engineers, real estate developers, city and state governmental entities, distributors and other industry organizations. During the third and fourth quarters, we engaged additional sales and engineering consultants to assist with quantifying the benefits of using our products over traditional reinforcement products. In addition, we created processes to facilitate the use of our products by (1) providing project managers with the ability to submit existing project plans to us for review regarding how they would be amended for use of our reinforcement products. This provides the opportunity for project managers to understand the potential labor, material, insurance and other cost savings; and (2) arranging for project managers to have the ability to seek out delegate engineering services in the event their project engineers lack the experience working with composites.

During the first quarter of 2018, we realized our first substantial sale. We sold various diameters of our basalt fiber rebar to a golf course resort project being developed in Palm Beach, Florida. The sale represented approximately 89% of our sales for the quarter and gave us our first opportunity to test our processes for delivery of medium to large size orders, including inventory control, shipping and handling, and other logistics-related processes. The products were delivered in a timely fashion and the customer was invoiced. We expect that a substantial number of customers will request terms for payment. We believe that we will need to grant customers anywhere from 30 to 90 days to complete payment in order to be competitive. We recognize that there is risk associated with granting terms to certain customers in the construction industry. Accordingly, we are exploring methods of protecting our interests through the filing of liens against projects to which we deliver our products prior to payment being made.

Going forward, we expect to continue making investments in our Basalt America operations. We will require capital to, among other things, (1) continue upgrading our facilities management, production and testing capabilities, (2) continue the pursuit of an evaluation service report from the International Code Council (ICC ES), (3) continue engaging the industry and industry experts with education initiatives, (4) purchase of raw materials and other goods and services related to our manufacturing needs, (5) upgrade our management and sales teams, (6) continue to meet obligations under our license and other agreements, particularly as they pertain to distribution, (7) continued research and development around new products being developed in the concrete reinforcement industry, and (8) other general working capital needs. We believe we will require at least \$3.5 million in additional capital from the date of this report through the remainder of 2018. We will likely fund this investment through the issuance of equity or convertible notes to accredited investors.

Discontinued Operations

Revenue-During the three and six months ended June 30, 2018 revenue from discontinued operations was \$0 and \$16,460 compared to \$26,877 and \$37,909 for the same period in the prior year. The revenue in the current year was due to an agency agreement from the discontinued clothing segment. Revenue in the prior year resulted primarily from the clothing unit in the amount of \$25,618 and \$12,291 from the bicycle segment.

Cost of goods sold - During the three and six months ended June 30, 2018 cost of goods sold from discontinued operations was \$8,829 and \$33,530 compared to \$32,902 and \$40,409 for the same period in the prior year. The cost of goods sold in the current year was higher due to residual costs from prior periods.

Loss on disposal of fixed assets - During the six months ended June 30, 2018, was no expense compared to \$221,328 during the same period in the prior year. The loss was due to a Company identified leasehold improvements that were impaired in the amount of \$300,000. The Company recognized a loss on the impairment of \$221,328, reflected in the loss from discontinued operations.

Results of Operations

Revenue - Revenues for the three and six months ended June 30, 2018 were \$5,872 and \$84,152 compared to no revenue for the three and six months ended June 30, 2017, as a result of sales of basalt fiber rebar. The increase in basalt fiber rebar sales was the result of our first substantial sale to a golf course resort development in Palm Beach, Florida. The sale to this development accounted for approximately 85% of our sales through June 30, 2018. We had other, nominal sales during the first quarter as well. Through June 30, 2018, all of the Company's basalt fiber rebar sales were delivered in Florida.

Cost of Goods Sold

During the three and six months ended June 30, 2018 the Company had cost of sales of \$8,546 and \$86,987 compared to no cost of goods sold for the same period in the prior year from continuing operations. Cost of goods sold consisted of the following:

	For the three months ended			For the six months ended		
		June 30,			June 30,	
	2018	2017		2018	2017	
Product cost	\$ 7,838	\$	\$	79,164	\$	
Shipping cost	473			4,457		
Sales commission	235			3,366		
Total cost of goods sold	\$ 8,546	\$	\$	86,987	\$	

For the three and six months ended June 30, 2018, the Company had a negative gross margin from continuing operations in the amount of \$2,674 and \$2,835. The Company lost money on a gross margin basis due to inefficiencies in the start-up process and extremely narrow margins on the initial sales of products. The Company is initiating sales at low margins to try to gain market share and gain exposure to the product. In the future, as the Company's product gains acceptance it is expected for margins to increase. Due to the discontinuance of prior operations the Company had no gross margin from continuing operations during the three months ended June 30, 2018.

Operating Expenses

Professional fees - During the three months ended June 30, 2018 and 2017 professional fees were \$56,982 compared to \$54,488 for the same period in the prior year. The increased cost was due to larger accounting fees associated with bringing the books current.

During the six months ended June 30, 2018 and 2017 professional fees were \$90,370 compared to \$140,051 for the same period in the prior year. The decrease of \$49,681 was due to higher legal fees in the prior year.

Payroll and payroll taxes - During the three months ended June 30, 2018 and 2017 payroll fees and taxes were \$69,438 and \$75,659. The decrease of \$6,221 was due to the departure of former Chief Executive Officer, Ed Cespedes on April 13, 2018.

During the six months ended June 30, 2018 and 2017 payroll fees and taxes were \$166,432 and \$133,998 for the same period in the prior year. The increase of \$32,434 was due to more employees in support of the basalt fiber rebar.

Consulting - During the three months ended June 30, 2018 and 2017 consulting fees were \$118,742 compared to \$198,450 for the same period in the prior year. The decrease of \$79,708 was due to a stock grant to a director of the Company of 250,000 shares valued at \$62,500.

During the six months ended June 30, 2018 and 2017 consulting fees were \$219,691 compared to \$354,790 for the same period in the prior year. The decrease of \$135,099 was due to a stock grant to a director of the Company of 250,000 shares valued at \$62,500 as well as fees paid relative to the RAW license agreement.

General and administrative - During the three months ended June 30, 2018 and 2017 general and administrative expenses were \$318,840 compared to \$74,425 for the same period in the prior year. The increase of \$244,415 was due higher stock-based compensation and stock option expense of \$207,788.

During the six months ended June 30, 2018 and 2017 general and administrative expenses were \$788,060 compared to \$87,354 for the same period in the prior year. The increase of \$700,706 was due higher stock-based compensation and stock option expense of \$486,092, increased rent expense of \$45,439 and \$18,642 in higher travel expense.

Bad debt expense - During the six months ended June 30, 2018 and 2017 bad debt expense of \$24,242 and \$0 compared to no expense in the same periods in the prior year as a result of sales in the current period where the collectability of those sales are doubtful as to their collectability. There was no bad debt expense in the three months ended June 30, 2018 and 2017, respectively.

Other Expenses

Interest on judgement - During the three and six months ended June 30, 2018 interest on judgement was \$4,605 and \$9,160 compared to \$4,604 and \$9,158 in the same period in the prior year.

Interest expense - During the three and six months ended June 30, 2018 interest expense was \$24,941 and \$43,248 compared to \$18,703 and \$46,852 for the same period in the prior year. The decrease of \$12,762 was due to amortization of debt discount in the prior period.

Loss on extinguishment of debt During the three and six months ended June 30, 2018 the Company recorded a loss on the extinguishment of debt in the amount of \$90,061 as a result of modification to an existing note in order to secure a three-year extension of the convertible note. This expense is a result of the fair value of the issuance of 274,575 restricted common shares given as partial consideration for the extension. The shares were issued on June 13, 2018. Additionally, the Company agreed to pay \$5,000 per month payment applicable to current interest and principal beginning on April 22, 2018. The Company has begun making monthly payments but is not current as required by the extension. No loss on the extinguishment of debt was recorded during the three and six months ended June 30, 2017.

Liquidity and Capital Resources

Since inception, the Company has incurred net operating losses and used cash in operations. As of June 30, 2018, the Company had an accumulated deficit of \$16,678,907. The Company has also dedicated substantial resources to research and development and marketing of the Company's products which included the general and administrative expenses associated with its organization and product development. We expect operating losses to continue due to the anticipated costs to develop our Basalt America business. These conditions raise substantial doubt about the Company's ability to continue as a going concern. We require additional financing for the development of the Basalt America business.

We have historically satisfied our working capital requirements through the sale of restricted common stock and the issuance of promissory notes. This has continued through the second quarter of 2018 and will continue until we have cash flow to cover our expenses.

At June 30, 2018 the Company had cash of \$11,122 compared to \$188,738 at December 31, 2017.

During the six months ended June 30, 2018, the Company issued 2,438,299 common shares for total proceeds of \$575,240, as well as borrowed \$50,000 from a credit line from former CEO and now a consultant of the Company and \$257,300 from the issuance of short-term notes payable from related parties. Notwithstanding proceeds from the sale of our common stock this year, current working capital is not sufficient to maintain our current operations and there is no assurance that future sales and marketing efforts will be successful enough to achieve the level of revenue sufficient to provide cash to sustain operations. To the extent such revenues and corresponding cash flows do not materialize, we will attempt to fund working capital requirements through third party financing, including a private placement of our securities. In the absence of revenues, we currently believe we require a minimum of \$3,000,000 to maintain our current operations through the next twelve months. We cannot provide any assurances that required capital will be obtained or that the terms of such required capital may be acceptable to us. If we are unable to obtain adequate financing, we may reduce our operating activities until sufficient funding is secured or revenues are generated to support operating activities.

Cash Flows

Net cash used in operating activities amounted to \$923,722 and \$2,104,758 for the six months ended June 30, 2018 and 2017, respectively.

During the six months ended June 30, 2018, we used \$2,935 cash for investing activities compared to nothing used in the same period in the prior fiscal year.

During the six months ended June 30, 2018, we had \$749,041 cash provided by financing activities through demand notes from related parties in the amount of \$303,300 (net of \$4,000 in repayments) and the sale of stock in the amount of \$475,741 offset by the repayment of a note payable in the amount of \$30,000. During the six months ended June 30, 2017, \$2,546,729 was provided from investing activities from the sale of stock in the amount of \$2,241,178, offset by payments for purchase order financing and payments to related parties totaling \$22,564. Additionally, the Company received \$315,00 proceeds from investment in joint venture.

We do not believe that our cash on hand at June 30, 2018 will be sufficient to fund our current working capital requirements as we try to develop a new business line. We will continue to seek additional equity financing. However, there is no assurance that we will be successful in our equity private placements or if we are that the terms will be beneficial to our shareholders.

Risk Factors

Investing in our common stock involves a high degree of risk. You should carefully consider the risk factors included in the Company's annual report on Form 10-K for the year ended December 31, 2017, before deciding whether to invest in the Company. Additional risks and uncertainties not presently known to us, or that we currently deem immaterial, may also impair our business operations or our financial condition.

ITEM 3.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable to smaller reporting companies.

ITEM 4.

CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the Exchange Act)) that are designed to be effective in providing reasonable assurance that information required to be disclosed in our reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and that such information is accumulated and communicated to our management to allow timely decisions regarding required disclosure.

The Company's management, under the supervision and with the participation of the Company's Interim Chief Executive Officer and Interim Principal Financial Officer, carried out an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) of the Exchange Act) as of June 30, 2018.

During our assessment of the effectiveness of internal control over financial reporting as of June 30, 2018 management identified material weaknesses related to (i) the U.S. GAAP expertise of our internal accounting staff, (ii) the ability of our internal accounting staff to record our transactions to which we are a party which necessitates our bringing in external consultants to supplement this function, and (iii) a lack of segregation of duties within accounting functions. Therefore, our internal controls over financial reporting were not effective as of June 30, 2018 based on the material weaknesses described below.

.
insufficient systems for timely entering new inventory items and point of sales;

.
insufficient monitoring controls to determine the adequacy of our internal control over financial reporting and related policies and procedures;

.
lack of competent financial management personnel with appropriate accounting knowledge and training;

our management team does not hold a license such as Certified Public Accountant in the U.S., nor have they attended U.S. institutions or extended educational programs that would provide enough of the relevant education relating to U.S. GAAP, nor have any U.S. GAAP audit experience;

we rely on an outside consultant to prepare our financial statements; and

insufficient controls over our period-end financial close and reporting processes.

As a result of these material weaknesses, our Interim Chief Executive Officer and Interim Principal Financial Officer concluded that our internal control over financial reporting was not effective as of June 30, 2018. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness; yet important enough to merit attention by those responsible for oversight of the Company's financial reporting.

Because of its inherent limitations, however, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate. In order to mitigate the foregoing material weakness, we engaged an outside accounting consultant to assist us in the preparation of our financial statements to ensure that these financial statements are prepared in conformity to U.S. GAAP. This outside accounting consultant has significant experience in the preparation of financial statements in conformity with U.S. GAAP. We believe that the engagement of this consultant will lessen the possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis, and we will continue to monitor the effectiveness of this action and make any changes that our management deems appropriate. We expect to continue to rely on this outside consulting arrangement to supplement our internal accounting staff for the foreseeable future. Until such time as we hire the proper internal accounting staff with the requisite U.S. GAAP experience, however, it is unlikely we will be able to remediate the material weakness in our internal control over financial reporting.

We believe that the foregoing steps will remediate the material weaknesses identified above, and we will continue to monitor the effectiveness of these steps and make any changes that our management deems appropriate.

Changes in Internal Control over Financial Reporting

No change in our system of internal control over financial reporting occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1.

LEGAL PROCEEDINGS

None, except as previously reported under the Company's Form 10-K annual report for the year ended December 31, 2017.

ITEM 1A.

RISK FACTORS

Not applicable to smaller reporting companies.

ITEM 2.

UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

During the period covered by this report we have sold the securities below without registration under the Securities Act of 1933, as amended, under the exemption provided by Section 4(a)(2) of the Securities Act. The securities contain legends restricting their transferability absent registration or applicable exemption. No fees or commissions were paid in connection with any of the transactions. Proceeds were used for working capital purposes.

During the three months ended June 30, 2018, the Company issued 579,966 common shares which it sold for \$93,990 (13,990 shares at \$0.30 per share, and 80,000 shares at \$0.15 per share). Proceeds were used to fund operations.

During the three months ended June 30, 2018, the Company issued 274,575 common shares having a value of \$90,061 (\$0.328 per share) to a note holder in consideration of the note extension. As a result of this extension, the modification to this debt instrument is reflected as a material modification in the Company's consolidated statement of operations.

ITEM 3.

DEFAULTS UPON SENIOR SECURITIES

On September 22, 2017, the Company issued a total of 200,000 shares of common stock valued at \$72,000 (\$0.38 per share) in conjunction with an extension of the note to April 22, 2018. The interest rate on the Note was also increased to 10% per annum. In accordance with ASC 470-50 *Debt Modifications and Extinguishments*, the issuance of the 200,000 shares having a market value of \$72,000 at the point of issuance effectively created a new debt instrument due the present value of the cash flow under the terms of the new debt instrument was at least 10 percent different from the present value of the remaining cash flow under the terms of the original instrument using a discount rate 7% based on the original debt issuance rate. As a result, the modification to this debt instrument has been reflected as a material modification in the Company's consolidated statement of operations for the year ended December 31, 2017. On May 2, 2018, the Company secured a three-year extension of the convertible note in return for (1) a \$5,000 per month payment applicable to current interest and principal beginning on April 22, 2018, and (2) the issuance of 274,575 new, restricted common shares. The shares were issued on June 13, 2018. The Company has begun making monthly payments but is not current as required by the extension. As a result of this extension, the modification to this debt instrument was reflected as a material modification in the Company's consolidated statement of operations in the quarter ending June 30, 2018 in the amount of \$90,061.

ITEM 4.

MINE SAFETY DISCLOSURE

None.

ITEM 5.

OTHER INFORMATION

None.

ITEM 6.

EXHIBITS

Exhibit Number	Description
10.1	<u>Extension agreement of four convertible notes payable due to a related party with a net principal balance of \$290,273 dated April 4, 2018 with new due date of December 31, 2018.</u>
10.2	<u>Second amendment to PayMeOn, Inc. convertible promissory note dated October 22, 2015 with Mark Lechter and Scott Balson</u>
10.3	<u>Form of 4% Demand Note(s) with VCVC, LLC totaling \$152,500 dated May 9, 2018 through June 19, 2018</u>
10.4	<u>Form of the five unsecured, 4% percent, ninety-day promissory notes issued to RVRM Holdings, LLC totaling \$90,000</u>
10.5	<u>Demand 4% promissory note to EAC Management, LLC in the amount of \$3,400 dated June 28, 2018</u>
31.1	<u>Certification of Chief Executive Officer pursuant to Rule 13A-14(a) or Rule 15d-14(a) of the Securities Exchange Act</u>
31.2	<u>Certification of Chief Financial Officer pursuant to Rule 13A-14(a) or Rule 15d-14(a) of the Securities Exchange Act</u>
32.1	<u>Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
101	XBRL Interactive Data File

SIGNATURES

In accordance with the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: September 27, 2018

PayMeOn, Inc.

By: /s/ David Anderson
David Anderson
Interim Chief Executive Officer
Interim Principal Financial Officer

By: /s/ Vincent L. Celentano
Vincent L. Celentano
Authorized Signer