

PayMeOn, Inc.
Form 10-Q
January 26, 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, 2017**

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.

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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 January 26, 2018
Common Stock, \$0.001 Par Value Per Share	128,639,133

PAYMEON, INC. AND SUBSIDIARIES

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

	June 30, 2017 (Unaudited)	December 31, 2016
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 530,309	\$ 88,338
Inventory	400,000	11,916
Prepaid expenses	10,938	48,362
Other current assets		1,194
TOTAL CURRENT ASSETS	941,247	149,810
LONG TERM ASSETS		
Licensing agreements, net	472,466	497,260
Computer equipment, leasehold improvements and website costs, net	2,098	227,397
Deposits	1,134,000	12,397
TOTAL ASSETS	\$ 2,549,811	\$ 886,864
<u>LIABILITIES AND STOCKHOLDERS' DEFICIT</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 431,607	\$ 346,523
Accounts payable - related party	580,000	500,000
Due to related party	34,336	56,635
Customer deposits	1,898	34,634
Accrued expenses	1,137,096	1,058,446
Notes payable	2,000	2,000
Notes payable - related party	15,000	
Purchase order financing		1,885
Purchase order financing - related party, net	4,000	4,000
Note payable - convertible	300,000	300,000

Notes payable related party- convertible (net of discount and notes receivable of \$87,727 and \$100,134 respectively)	290,273	600,414
TOTAL CURRENT LIABILITIES	2,796,210	2,904,537

COMMITMENTS AND CONTINGENCIES (SEE NOTE 11)**STOCKHOLDERS' 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, 121,610,880 and 97,680,261 shares issued and outstanding, respectively as of June 30, 2017 and December 31, 2016	121,611	97,680
Additional paid in capital	13,105,364	10,174,836
Accumulated deficit	(13,561,574)	(12,290,189)
TOTAL PAYMEON STOCKHOLDERS' DEFICIT	(334,599)	(2,017,673)
Non - controlling interest	88,200	
TOTAL STOCKHOLDERS' DEFICIT	(246,399)	(2,017,673)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	\$ 2,549,811	\$ 886,864

See accompanying notes to consolidated financial statements.

PAYMEON, INC AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Three Months Ended		For the Six Months Ended	
	June 30,		June 30,	
	2017	2016	2017	2016
Revenue				
Service Revenue	\$	\$	\$	\$
Products Sales -				
Clothing	25,618	24,232	25,618	24,232
Bicycles	1,259	77,444	12,291	167,064
Total revenue	26,877	101,676	37,909	191,296
Cost of products sold				
- Clothing	16,429		16,429	
- Bicycles	16,473	48,999	23,980	94,580
Total cost of goods sold	32,902	48,999	40,409	94,580
Gross Profit (Loss)	(6,025)	52,677	(2,500)	96,716
OPERATING EXPENSES				
Professional fees	54,448	49,680	140,051	63,795
Payroll and payroll taxes	82,259	103,662	147,918	155,719
Consulting	208,965	142,586	401,505	884,988
General and administrative	96,974	88,639	302,073	750,157
Total Operating Expenses	442,646	384,567	991,547	1,854,659
NET LOSS FROM OPERATIONS	(448,671)	(331,890)	(994,047)	(1,757,943)
OTHER (INCOME) / EXPENSES				
Loss on disposal of fixed assets			(221,328)	
Interest expense	(23,307)	(72,708)	(56,010)	(158,136)

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Total other expenses	(23,307)	(72,708)	(277,338)	(158,136)
Net loss before provision for income taxes	(471,978)	(404,598)	(1,271,385)	(1,916,079)
Provision for Income Taxes				
NET LOSS	\$ (471,978)	\$ (404,598)	\$ (1,271,385)	\$ (1,916,079)
Net loss per share - basic and diluted	\$ (0.00)	\$ (0.03)	\$ (0.01)	\$ (0.14)
Weighted average number of shares outstanding - basic and diluted	117,093,493	14,230,505	87,833,438	13,854,461

See accompanying notes to consolidated financial statements.

PAYMEON, INC AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Six Months Ended June 30,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (1,271,385)	\$ (1,916,079)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	16,368	32,692
Amortization of licenses	24,794	
Amortization of prepaid expenses	37,424	
Amortization of debt discount	12,672	115,162
Loss on leasehold and deposits	221,328	
Warrants and options issued for services	1,056	1,135,640
Common stock issued for services	117,089	227,998
Changes in operating assets and liabilities:		
(Increase) decrease in prepaid expense		(646)
(Increase) decrease in accounts receivable	8,835	(10,764)
(Increase) decrease in inventory	(396,919)	5,077
(Increase) decrease in other assets	1,194	(499)
Increase in deposits	(1,134,000)	(2,955)
Increase in accounts payable - related party	80,000	9,096
Decrease in customer deposits	(32,736)	
Increase in accounts payable and accrued expenses	209,522	93,723
Net Cash Used In Operating Activities	(2,104,758)	(311,555)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of computers		(2,161)
Net Cash Used in Investing Activities		(2,161)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments to related party	(22,564)	(21,238)
Repayment of purchase order funding	(1,885)	
Proceeds from notes payable convertible - related party		58,975
Proceeds from notes payable - related party	15,000	
Proceeds from joint venture	315,000	
Common stock issued for cash	2,241,178	240,000
Net Cash Provided By Financing Activities	2,546,729	277,737
NET INCREASE (DECREASE) IN CASH	441,971	(35,979)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	88,338	50,243
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 530,309	\$ 14,264

Supplemental disclosure of non cash investing & financing activities:

Cash paid for income taxes	\$	\$
Cash paid for interest expense	\$	\$

During the six months ended June 30, 2016, the Company received \$40,000 from a related party in exchange for convertible notes payable of \$40,000 with the beneficial conversion feature valued at \$40,000.

During the six months ended June 30, 2016, the Company issued 500,000 shares of common stock valued at \$235,000 (\$0.47 per share) for prepaid consulting services.

On February 21, 2017, the Company executed a membership interest purchase agreement to acquire 100% of the membership interests of Rockstar. In consideration of the acquisition of all of the issued and outstanding membership interests of Rockstar, the Company issued an aggregate of 95,500,000 restricted shares of its common stock to the members of Rockstar. As of December 31, 2016 Rockstar had 80,500,000 membership units outstanding. For accounting purposes the transaction is 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 Rockstar are the same and control the activities of the respective companies. As of December 31, 2016 the Company acquired cash of \$77,997, licenses net of amortization of \$497,260, accounts payable of \$12,585 and accounts payable related - related party of \$500,000.

See accompanying notes to consolidated financial statements.

PAYMEON, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017 AND 2016

(UNAUDITED)

NOTE 1 ORGANIZATION, NATURE OF BUSINESS AND GOING CONCERN

(A) Organization

The accompanying unaudited condensed 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, 2017 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 statements presentation.

On March 16, 2011 PayMeOn, Inc., a Nevada corporation organized on May 30, 2006 (the "Company") 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 Accounting Standard Codification (ASC) Topic 360-10-45-15, the transaction is accounted for as a reverse acquisition. Hyperlocal is considered the accounting acquirer and the acquiree is 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.

Hyperlocal Marketing, LLC was originally organized in the State of Florida on January 22, 2010. The Company has focused its efforts on organizational activities, raising capital, software development and evaluating operational opportunities.

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 intends 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 April 19, 2016, the Company's wholly-owned subsidiary, PayMeOn Brands, Inc., entered into a Memorandum of Understanding with Damion D Roc Butler to exclusively produce, manufacture and market certain intellectual property for certain trademarks held by Mr. Butler, including but not limited to, "Bad Boy Tour Merchandise," "Revolt," Invisible Bully and "Ciroc". The agreement provides for PayMeOn Brands and Butler organizing a new entity equally owned by the parties. As of June 30, 2017 and December 31, 2016 the parties have not formally reached an agreement.

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 (Rockstar). Rockstar d/b/a 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 Rockstar, the Company issued an aggregate of 95,500,000 restricted shares of its common stock to the members of Rockstar. For accounting purposes the transaction is recorded at historical cost in accordance with ASC 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 Rockstar are the same and control the activities of the respective companies.

PAYMEON, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017 AND 2016

(UNAUDITED)

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 are expected to commence during the first quarter of 2018. The Company will own 55.3% of the Joint Venture and the investors will own 44.7% of the joint venture.

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 December 31, 2017, the Joint Venture has yet to commence operations. The Company will own 50% of the Joint Venture. The remaining 50% is owned by a non-related party. There was no consideration paid by either party for their interest.

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

(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, Rockstar Acquisitions, LLC, Basalt America Territory 1, LLC and Basalt America Territory 2, LLC. 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, 2017, the Company has an accumulated deficit of \$13,561,754, a working capital deficiency of \$1,854,963 and cash used in operations of \$2,104,758 for the six months ended June 30, 2017. 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 Rockstar 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) Cash and Cash Equivalents

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, 2017.

(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 inventory allowances, valuation of accounts receivable allowance, valuation of deferred tax asset, stock based compensation and any beneficial conversion features on convertible debt.

PAYMEON, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017 AND 2016

(UNAUDITED)

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

The Company adopted Financial Accounting Standard Board (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 December 31, 2016 and June 30, 2017 the Company has no accounts receivable and therefore the Company has not recorded an allowance for bad debts.

(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 December 31, 2016 and June 30, 2017 the Company has not recorded an allowance for the valuation of the inventory or inventory obsolescence.

(F) Fixed assets

Fixed assets consist of 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 to five years for all categories. Repairs and maintenance are charged to expense as incurred. Expenditures for betterments and renewals are capitalized. The cost of computer equipment and the related accumulated depreciation are removed from the accounts upon retirement or disposal with any resulting gain or loss being recorded in operations.

Software maintenance costs are charged to expense as incurred. Expenditures for enhanced functionality are capitalized.

PAYMEON, INC. AND SUBSIDIARIES**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017 AND 2016****(UNAUDITED)**

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.

Asset Category	Depreciation/ Amortization Period
Website costs	5 Years
Computer equipment	3 Years

Fixed assets consist of the following:

	June 30, 2017	December 31, 2016
Computer equipment	\$ 6,724	\$ 6,724
Leasehold improvements		300,000
Website development	24,775	24,775
Total	31,499	331,499
Accumulated depreciation	(29,401)	(104,102)
Balance	\$ 2,098	\$ 227,397

During the six months ended June 30, 2017 the Company identified leasehold improvements that were impaired in the amount of \$300,000. The Company recognized a loss on the impairment of \$208,931. Depreciation expense and the six months ended June 30, 2017 and 2016 was \$16,368, and \$32,692, respectively.

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 is payable on or before October 22, 2017, unless the note is 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. 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 to April 22, 2018. The interest rate on the PDQ Auctions Note was also increased to 10% per annum. The modifications to the debt will be reflected as a material modification in the Company's quarter ended September 30, 2017.

(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.

(H) Revenue Recognition

The Company recognizes 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 is recorded as deferred revenue. Sales are 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.

PAYMEON, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017 AND 2016

(UNAUDITED)

The Company recognizes 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 is recorded as deferred revenue. Sales are 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.

In March 2016, the FASB issued ASU No. 2016-08, Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net). This ASU clarifies the implementation guidance on principal versus agent considerations. The guidance includes indicators to assist an entity in determining whether it controls a specified good or service before it is transferred to the customers.

The Company is currently evaluating the impact the new revenue recognition guidance will have on its Financial Statements,

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. Costs of shipping and handling are included in cost of products sold.

(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. The Company has 4,240,000 and 1,260,000 shares issuable upon the exercise of options and warrants and 857,143 and 1,553,232 shares issuable upon conversion of convertible notes payable that were not included in the computation of dilutive loss per share because their inclusion is anti-dilutive for the three and six months ended June 30, 2017 and 2016, respectively.

(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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017 AND 2016

(UNAUDITED)

(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 has two identifiable operating segments for the three and six months ended June 30, 2016 based on the activities of the company in accordance with the ASC 280-10. We had three operating segments at June 30, 2017:

.

We sell electric bicycles and related products

.

We develop, market, manage and monetize apparel lifestyle brands and products on an opportunistic basis

.

We manufacture, market and sell concrete reinforcement products made from basalt fiber through our recent acquisition of Rockstar

With respect to Rockstar, the Company executed a membership interest purchase agreement to acquire 100% of the membership interests of Rockstar. Rockstar was organized under the laws of the State of Florida in November 2016. Rockstar 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.

Basalt America Territory 1, LLC, will have the exclusive rights to manage sales for Dade, Broward and Monroe Counties in the State of Florida. Basalt America Territory 2, LLC, will have the exclusive rights to manage sales for Rhode Island.

(O) Income Taxes

The Company accounts for income taxes under FASB Codification 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.

A reconciliation of the Company's income taxes to amounts calculated at the federal statutory rate is as follows for the quarters ended December 31, 2016 and June 30, 2017:

	June 30, 2017	December 31, 2016
Federal statutory taxes	(34.00)%	(34.00)%
State income taxes, net of federal tax benefit	(3.63)	(3.63)
Change in valuation allowance	37.63	37.63
	%	%

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 in 2018.

	June 30, 2017	December 31, 2016
Expected income tax (benefit) expense at the statutory rate of 37.63%	\$ (478,422)	\$ (1,391,352)
Tax effect of expenses that are not deductible for income tax purposes (net of other amounts deductible for tax purposes)	132,512	906,433
Change in valuation allowance	345,910	484,919
Provision for income taxes	\$	\$

PAYMEON, INC. AND SUBSIDIARIES**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017 AND 2016****(UNAUDITED)**

The components of deferred income taxes are as follows:

	June 30, 2017	December 31, 2016
Deferred income tax asset:	\$ 756,064	\$ 756,064
Net operating loss carryforwards	2,470,463	2,124,553
Valuation allowance	(3,226,527)	(2,880,617)
Deferred income taxes	\$	\$

As of June 30, 2017, the Company has a net operating loss carry forward of approximately \$5,600,000 available to offset future taxable income through 2037. This results in deferred tax assets of approximately \$3,227,000 as of June 30, 2017. The valuation allowance at June 30, 2017 was approximately \$3,227,000. The change in the valuation allowance for the six months ended June 30, 2017 was an increase of approximately \$346,000. Tax returns for the years ended December 31, 2016, 2015, 2014 and 2013 are subject to examination by the Internal Revenue Service.

As a result of the Hyperlocal acquisition in 2011 and Rockstar 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 noncontrolling interests in consolidated financial statements requires that a noncontrolling 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 noncontrolling interest and changes in ownership interests in a subsidiary and requires additional disclosures that identify and distinguish between the interests of the controlling and noncontrolling owners. Net expense for income attributable to the noncontrolling interests totaling \$0 for the six months ended June 30, 2017.

NOTE 3 RECENT ACCOUNTING PRONOUNCEMENTS

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 does not believe that this amendment will impact the financial position or results of its operations.

In January 2017, the FASB issued Accounting Standard Update (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 January 2017, the FASB issued ASU 2017-01 *Business Combinations (Topic 805), Clarifying the Definition of a Business*. 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 clarify the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The definition of a business affects many areas of accounting including acquisitions, disposals, goodwill, and consolidation. Public business entities should apply the amendments in this update to annual periods beginning after December 15, 2017. Early application is permitted under certain conditions. The Company is assessing the impact, if any, of implementing this guidance on its financial position and results of operations.

PAYMEON, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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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. Early adoption is permitted. The Company is assessing the impact, if any, of implementing this guidance on its financial position, results of operations and liquidity.

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. We are currently in the process of assessing the impact the adoption of this guidance will have on the Company's condensed consolidated financial statements.

In May 2014, August 2015 and May 2016, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, ASU 2015-14, *Revenue from Contracts with Customers, Deferral of the Effective Date*, and ASU 2016-12, *Revenue from Contracts with Customers, Narrow-Scope Improvements and Practical Expedients*, respectively, which implement ASC Topic 606. ASC Topic 606 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance under US GAAP, including industry-specific guidance. It also requires entities to disclose both quantitative and qualitative information that enable financial statements users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The amendments in these ASUs are effective for annual periods beginning after December 15, 2017, and interim periods therein. Early adoption is permitted for annual periods beginning after December 15, 2016. These ASUs may be applied retrospectively with a cumulative adjustment to retained earnings in the year of adoption. The Company is assessing the impact, if any, of implementing this guidance on its financial position, results of operations and liquidity.

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 condensed consolidated financial position or operating results

NOTE 4 ACQUISITION OF ROCKSTAR

On February 21, 2017, the Company executed a membership interest purchase agreement to acquire 100% of the membership interests of Rockstar. In consideration of the acquisition of all of the issued and outstanding membership interests of Rockstar, the Company issued an aggregate of 95,500,000 restricted shares of its common stock to the members of Rockstar. As of December 31, 2016 Rockstar had 80,500,000 membership units outstanding. For accounting purposes the transaction is 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 Rockstar are the same and control the activities of the respective companies.

As the acquisition of Rockstar was deemed to be a transaction between entities under common control, the assets and liabilities were transferred at the historical cost of Rockstar 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.

PAYMEON, INC. AND SUBSIDIARIES**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017 AND 2016****(UNAUDITED)**

The Company recorded the acquisition of Rockstar as following:

The Company consolidated the total assets and liabilities of Rockstar. Since the consolidation was done retrospectively, the Company adjusted the beginning balance of the following accounts to include balances as if the transaction occurred on November 18, 2016 (Inception). Set forth below is the PayMeOn balance sheet as previously filed for the fiscal year ended December 31, 2016, the net effect of the acquisition and the net effect at December 31, 2016, after the acquisition.

<u>ASSETS</u>	PayMeOn, Inc. As Previously Filed	Net effect of Acquisitions	Net effect after Acquisitions
CURRENT ASSETS			
Cash	\$ 10,341	\$ 77,997	\$ 88,338
Inventory	11,916		11,916
Prepaid expenses	48,362		48,362
Other current assets	1,194		1,194
TOTAL CURRENT ASSETS	71,813	77,997	149,810
LONG TERM ASSETS			
Licensing agreements, net		497,260	497,260
Fixed assets, net	227,397		227,397
Deposits	12,397		12,397
	239,794	497,260	737,054
TOTAL ASSETS	\$ 311,607	\$ 575,257	\$ 886,864
<u>LIABILITIES AND STOCKHOLDERS' DEFICIT</u>			
CURRENT LIABILITIES			
Accounts Payable	\$ 333,938	\$ 12,585	\$ 346,523
Accounts Payable - related party		500,000	500,000
Due to related party	56,635		56,635
Customer deposits	34,634		34,634

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Accrued expenses	1,058,446		1,058,446
Notes Payable	2,000		2,000
Purchase order financing	1,885		1,885
Purchase order financing - related party, net	4,000		4,000
Note payable convertible	300,000		300,000
Notes Payable related party- convertible	600,414		600,414
TOTAL CURRENT LIABILITIES	2,391,952	512,585	2,904,537
NOTE PAYABLE CONVERTIBLE			
TOTAL LIABILITIES	2,391,952	512,585	2,904,537
STOCKHOLDERS 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, 17,180,422 and 97,680,422 shares issued and outstanding, respectively pre and post-acquisition	17,180	80,500	97,680
Additional paid in capital	9,666,562	508,274	10,174,836
Accumulated deficit	(11,764,087)	(526,102)	(12,290,189)
TOTAL STOCKHOLDERS' DEFICIT	(2,080,345)	62,672	(2,017,673)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	\$ 311,607	\$ 575,257	\$ 886,864

PAYMEON, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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(UNAUDITED)

NOTE 5 - NOTES PAYABLE RELATED PARTY - CONVERTIBLE

		June 30, 2017	December 31, 2016
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	110,691
Note Payable related party - convertible @ \$0.20 per share	(c)	20,000	239,975
Note Payable related party - convertible @ \$0.30 per share	(d)	182,500	184,382
Total		378,000	700,548
Offset of loans	(e)	(87,727)	(87,727)
Debt Discount			(12,407)
Total		\$ 290,273	\$ 600,414

(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 is payable on or before 12 months from the date of issuance. 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, 2017 and December 31, 2016 amounted to \$52,213 and \$46,499, 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 March 31, 2018.

(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 is payable on or before 12 months from the date of

issuance. 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 March 31, 2018. During the six months ended June 30, 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, 2017 and December 31, 2016 the Company fully amortized the debt discount and accrued interest amounted to \$1,866 and \$18,496, 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 is payable on or before 12 months from the date of issuance. 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 March 31, 2018. The Company recorded a debt discount of \$217,700 for the fair value of the beneficial conversion feature. During the six months ended June 30, 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, 2017 and December 31, 2016 the Company fully amortized the debt discount and accrued interest amounted to \$2,639 and \$19,410, respectively.

(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 is payable on or before 12 months from the date of issuance. 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 March 31, 2018. The Company recorded a debt discount of \$183,500 for the fair value of the beneficial conversion feature. During the six months ended June 30, 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, 2017 and December 31, 2016 the Company amortized \$183,500 and \$171,975 of the debt discount and recorded accrued interest of \$30,531 and \$24,510, respectively.

PAYMEON, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017 AND 2016

(UNAUDITED)

(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 6 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 is payable on or before October 22, 2017, unless the note is 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. 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, 2017 and December 31, 2016 accrued interest amounted to \$35,441 and \$25,085, 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. The modifications to the debt will be reflected as a material modification in the Company s quarter ended September 30, 2017.

NOTE 7 NOTES PAYABLE

In December and September 2010, the Company issued unsecured, non-interest bearing, due on demand notes for \$8,000 and \$16,000, respectively. During the quarter ended December 31, 2010 the Company repaid \$22,000. As of June 30, 2017, the outstanding principal balance of the notes was \$2,000.

On July 13, 2016, HLM PayMeOn, Inc., the Company's wholly owned subsidiary, entered into a merchant agreement with Summit Capital Partners (SCP), whereby it sold \$40,500 of accounts receivable (the Receipts Purchased Amount) for a total purchase price of \$30,000. HLM PayMeOn shall repay \$337 daily until the Receipts Purchased Amount is repaid. The Company recorded a \$10,500 deferred finance charge on the date of issuance. To secure HLM PayMeOn's payment and performance obligations to SCP, HLM PayMeOn has granted to SCP a security interest in all HLM PayMeOn's accounts, chattel paper, documents, equipment, general intangibles, instruments and inventory. In addition, the Company's directors have individually guaranteed repayment of the Receipts Purchased Amount. As of June 30, 2017 and December 31, 2016 the Company has a balance owed \$0 and \$1,885, respectively and has amortized a total of \$10,500.

NOTE 8 NOTES PAYABLE RELATED PARTY

On May 25, 2017, the Company received \$10,000 in the form of a demand note from a Related Party. The note is payable on demand and bears no interest.

On June 2, 2017, the Company received \$5,000 in the form of a demand note from a Related Party. The note is payable on demand and bears no interest.

PAYMEON, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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(UNAUDITED)

NOTE 9 PURCHASE ORDER FINANCING

On August 17, 2016, PayMeOn Brands, Inc., a wholly-owned subsidiary of the Company, entered into a purchase order purchase and sale agreement with a third party purchaser, whereby PayMeOn Brands sold \$50,000 of current purchase orders in exchange for \$40,000. 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 \$10,000 deferred finance charge on the date of issuance. As of December 31, 2016 the Company amortized \$10,000 of the deferred finance charge. During the year ended December 31, 2016 the Company repaid a total of \$33,500. On December 15, 2016 the holder converted the remaining balance of \$16,500 into 883,936 shares of common stock as \$0.0187 per share. The fair value price per share at August 17, 2016 was \$0.55 per share. Therefore the Company recorded a \$469,665 loss on conversion of debt. As of June 30, 2017 and December 31, 2016 the Company had a balance of \$0 and \$1,885 outstanding, respectively.

On September 9, 2016, PayMeOn Brands, Inc., a wholly-owned subsidiary of the Company, entered into a purchase order purchase and sale agreement with a third party purchaser, whereby PayMeOn Brands sold \$20,000 of current purchase orders in exchange for \$15,000. 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 \$5,000 deferred finance charge on the date of issuance. As of December 31, 2016 the Company amortized \$5,000 of the deferred finance charge and repaid \$5,000. On December 15, 2016 the holder converted the remaining balance of \$20,000 into 1,142,849 shares of common stock as \$0.0175 per share. The fair value price per share at August 17, 2016 was \$0.55 per share. Therefore the Company recorded a \$608,567 loss on conversion of debt.

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, whereby PayMeOn Brands sold \$5,000 of current purchase orders in exchange for \$4,000. 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 \$1,000 of the deferred finance charge. As of June 30, 2017 and December 31, 2016 the Company has a balance outstanding of \$4,000 and \$4,000, respectively.

NOTE 11 COMMITMENTS AND CONTINGENCIES

Employment Contracts

On August 15, 2011, the Company entered into an employment agreement with its Chief Executive Officer. The agreement is for a period of one year and automatically extends for one day each day until either party notifies 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.

For the six months ended June 30, 2017 and 2016 recorded a salary expense of \$87,500 and \$87,500, respectively. Accrued compensation at June 30, 2017 and December 31, 2016 was \$444,422 and \$463,760, respectively (See Note 14).

PAYMEON, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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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, 2017 and December 31, 2016 the Company had accrued \$40,485 and \$31,325 of interest associated with the judgment.

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 5 years at an initial monthly sum of \$5,617 and an additional 5 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 6). During the six months ended June 30, 2017 the Company vacated the location due to the fact that 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. 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 non-cancellable capital and operating leases at June 30, 2017 are as follows:

2017	\$ 69,116
2018	142,343
2019	147,986
2020	37,353
Total minimum lease payments	\$ 396,798

Crowd Funding

Through its wholly-owned subsidiary, PayMeOn Brands, the Company launched a crowd sourcing campaign through the online platform known as Indiegogo. The Company intended to crowd source donations for the development of a new, electrically powered tricycle known as the eChariot. As part of the campaign, the Company was required to establish a minimum goal of donations for its funding requirements. The Company set a minimum goal target for donations of \$25,000. The Company surpassed its goal during the quarter and on October 3, 2016 and October 31, 2016, received approximately \$25,000 from Indiegogo (after deducting platform and transaction fees). The Company decided to refund all amounts collected. All amounts have been refunded.

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Royalty

On October 7, 2016, legal representatives of Remrylie Licensing, Inc. asked one of the Company's retail customers to cease and desist from selling items related to Christopher "Notorious BIG" Wallace's image on PayMeOn Brands behalf. Remrylie, owner of the exclusive right to market Notorious BIG's image, claimed that PayMeOn Brands did not have the right to sell certain items it was selling through its retail customer. While we believe that the claims were without merit, we decided to cooperate and allow our retail customer to remove the items in question. On November 29, 2016 the Company and Remrylie Licensing, Inc., agreed to settle their dispute over royalty payments for sales of merchandise related to the estate of Notorious BIG. The Company agreed to pay \$7,000 and the Parties mutually agreed to end the dispute and mutually indemnify each other. The Company does not expect to engage in any sales related to the estate of Notorious BIG in the future.

Rockstar and RAW

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

On December 11, 2016, Rockstar 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. The License Agreement provided for Rockstar 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, Rockstar had purchase rights on a Right of First Refusal basis for areas outside the Licensed Territory. The License Agreement required that Rockstar 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, RAW or its affiliates were entitled to sales commissions for any sales of products generated within Rockstar's Licensed Territory 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%

As of December 31, 2016 and June 30, 2017, there were no amounts due for product sales, nor sales commissions due to RAW or its affiliates.

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.

First Amendment to License Agreement Between Rockstar and RAW

On January 5, 2017, Rockstar 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, Rockstar 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 Rockstar must meet by July 1, 2018 in order to maintain its exclusivity within the Licensed Territory. 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 Rockstar's business operations within the Licensed Territory.

As of June 30, 2017, and through the date of this filing, there were no amounts due under the percentage of gross sales obligations to RAW or its affiliates.

PAYMEON, INC. AND SUBSIDIARIES**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017 AND 2016****(UNAUDITED)****Post-Closing Letter Agreement**

On January 5, 2017, Rockstar and RAW entered into a Post-Closing Letter Agreement (Letter Agreement) that detailed, among other things, financial obligations of Rockstar in addition to the Option Fee. Under the Agreement, Rockstar s financial obligations total \$3,010,000. Approximately \$960,000 of the obligations were met during the first quarter of 2017. An additional \$540,000 of the obligations were met during the second quarter 2017. An additional \$420,000 of the obligations have been met during the third quarter 2017.

As of June 30, 2017, Rockstar had a remaining obligation of \$1,510,000. As of the date of this filing, Rockstar s remaining obligation is \$1,090,000. 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	3rd Qtr 2017 - partially met

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 are expected to commence during the first quarter of 2018. The Company will own 55.3% of the joint venture and the investors will own 44.7% of the joint venture. During the second quarter of 2017, the Company entered into a term sheets for a Joint Venture with a related party for \$288,750 and three accredited investors for a total of \$26,250. The Funds were used as a deposit to purchase inventory. As of June 30, the non

controlling interest amounted to \$88,200. Subsequent to June 30, 2017 the Company received the remaining \$187,500 from two accredited investors which amounted to 16.7% of the joint venture.

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. The Joint Venture will commence operations during the first quarter of 2018. The Company will own 50% of the Joint Venture. The remaining 50% is owned by a non-related party. There was no consideration paid by either party for their interest.

NOTE 12 STOCKHOLDERS DEFICIT

The Company is authorized to issue up to 1,000,000,000 shares of common stock, par value \$0.001, and up to 5,000,000 shares of preferred stock, 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.

On January 5, 2015 the Company sold a total of 50,000 shares to an individual for proceeds of \$17,500 (\$0.35 per share).

On November 6, 2015, the Company entered into a business consulting and strategic planning agreement with Mayer and Associates. The Company issued 250,000 shares of common stock valued at \$97,500 (\$0.39 per share) the fair market value on the date of issuance and a one-time cash payment of \$50,000 to consultant. The agreement is for a six month term and includes standard non-competition, non-solicitation and other covenants. On January 4, 2016 both parties agreed to extend the consulting agreement six months and the Company issued an additional 500,000 shares of common stock valued at \$235,000 (\$0.47 per share). On June 10, 2016, the Company entered into a legal services consulting agreement, whereby consultant agrees to provide legal review of certain retail agreements for the Company on an as needed basis. The Company issued 100,000 shares of common stock valued at \$50,000 (\$0.50 per share) the fair market value on the date of issuance. The agreement is for a twelve month term and includes standard non-competition, non-solicitation and other covenants. On October 12, 2016 the Company issued 100,000 shares of common stock valued at \$32,000 (\$0.32 per share) the fair market value on the date of issuance to a consultant for services. The agreement is for a twelve month term and includes standard non-competition, non-solicitation and other covenants. As of June 30, 2017 and December 31, 2016 Company has expensed \$410,614 and \$372,690 and has a prepaid expense of \$9,556 and \$47,480, respectively.

PAYMEON, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017 AND 2016

(UNAUDITED)

On January 30, 2017, the Company granted 200,000 stock options with an exercise price of \$.25 to a consultant. The options expire 7 years from the date of issuance.

On February 2, 2017, the Company sold a total of 349,800 shares to an accredited investor for proceeds of \$34,980 (\$0.10 per share).

On February 2, 2017, the Company sold a total of 250,000 shares to an accredited investor for proceeds of \$25,000 (\$0.10 per share).

On February 16, 2017, the Company sold a total of 200,000 shares to two accredited investor for proceeds of \$25,000 (\$0.125 per share).

On February 19, 2017, the Company sold a total of 322,857 shares to an accredited investor for proceeds of \$56,500 (\$0.175 per share).

On February 21, 2017, the Company entered into and completed a membership interest purchase agreement to acquire 100.0% of the membership interests of Rockstar. Rockstar was organized under the laws of the State of Florida in November 2016. Rockstar 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. Our Chairman and CEO, Edward A. Cespedes and our Director and largest individual shareholder, Vincent L. Celentano, are the Managing Members of Rockstar. In consideration of the acquisition of all of the issued and outstanding membership interests of Rockstar, the Company issued an aggregate of 95,500,000 restricted shares of its common stock to the members of Rockstar. For accounting purposes the transaction is 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 Rockstar are the same and control the activities of the respective companies.

As part of this agreement Rockstar entered into a letter agreement with Raw Materials Corp and RAW.

On March 7, 2017, the Company sold a total of 300,000 shares to an accredited investor for proceeds of \$60,000 (\$0.20 per share).

On March 17, 2017, the Company sold a total of 39,920 shares to an accredited investor for proceeds of \$9,980 (\$0.25 per share).

On March 17, 2017, the Company sold a total of 800,000 shares to an accredited investor for proceeds of \$200,000 (\$0.25 per share).

On March 17, 2017, the Company sold a total of 60,000 shares to an accredited investor for proceeds of \$15,000 (\$0.25 per share).

On March 17, 2017, the Company sold a total of 60,000 shares to an accredited investor for proceeds of \$15,000 (\$0.25 per share).

On March 17, 2017, the Company sold a total of 60,000 shares to an accredited investor for proceeds of \$15,000 (\$0.25 per share).

On March 19, 2017, the Company sold a total of 400,000 shares to an accredited investor for proceeds of \$100,000 (\$0.25 per share).

On March 24, 2017, the Company sold a total of 40,000 shares to an accredited investor for proceeds of \$10,000 (\$0.25 per share).

On March 29, 2017, the Company sold a total of 100,000 shares to an accredited investor for proceeds of \$25,000 (\$0.25 per share).

PAYMEON, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017 AND 2016

(UNAUDITED)

On April 4, 2017, a consultant exercised previously issued stock options of 167,181 with an exercise price of \$.10 for \$16,718.

On April 5, 2017, the Company sold a total of 52,000 shares to an accredited investor for proceeds of \$13,000 (\$0.25 per share).

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 April 5, 2017, the Company sold a total of 400,000 shares to an accredited investor for proceeds of \$100,000 (\$0.25 per share).

On April 5, 2017, the Company sold a total of 400,000 shares to an accredited investor for proceeds of \$100,000 (\$0.25 per share).

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 June 7, 2017, the Company entered into a consultant agreement with a consultant to provide services related to the concrete and rebar industries. Upon entering into the agreement, the Company issued the consultant 500,000 restricted common shares and agreed to issue additional 500,000 restricted common share increments quarterly on October 1, 2017, January 1, 2018, and April 1, 2018. The term of the agreement is for a period of 3 years. The Company may terminate the agreement after the end of any quarter with 30 days notice. The Company recorded an expense of \$9,471 for the shares vested during the period.

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On June 7, 2017, the Company entered into a consultant agreement with a consultant to provide services related to the concrete and rebar industries. Upon entering into the agreement, the Company issued the consultant 250,000 restricted common shares and agreed to issue additional 250,000 restricted common share increments quarterly on October 1, 2017, January 1, 2018, and April 1, 2018. The term of the agreement is for a period of 3 years. The Company may terminate the agreement after the end of any quarter with 30 days notice. The Company recorded an expense of \$4,735 for the shares vested during the period.

On June 12, 2017, the Company sold a total of 15,000 shares to an accredited investor for proceeds of \$3,750 (\$0.25 per share).

On June 12, 2017, the Company sold a total of 10,000 shares to an accredited investor for proceeds of \$2,500 (\$0.25 per share).

On June 12, 2017, the Company sold a total of 10,000 shares to an accredited investor for proceeds of \$2,500 (\$0.25 per share).

On June 20, 2017, the Company sold a total of 100,000 shares to an accredited investor for proceeds of \$25,000 (\$0.25 per share). In addition, the investor received three-year warrants to acquire 50,000 shares for a strike price of \$0.40 and three-year warrants to acquire 50,000 shares for a strike price of \$0.60 per share.

On June 27, 2017, the Company sold a total of 60,000 shares to an accredited investor for proceeds of \$15,000 (\$0.25 per share). In addition, the investor received three-year warrants to acquire 30,000 shares for a strike price of \$0.40 and three-year warrants to acquire 30,000 shares for a strike price of \$0.60 per share.

On June 29, 2017, the Company sold a total of 100,000 shares to an accredited investor for proceeds of \$25,000 (\$0.25 per share). In addition, the investor received three-year warrants to acquire 50,000 shares for a strike price of \$0.40 and three-year warrants to acquire 50,000 shares for a strike price of \$0.60 per share.

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.

PAYMEON, INC. AND SUBSIDIARIES**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017 AND 2016****(UNAUDITED)**

On June 30, 2017, the Company sold a total of 1,000,000 shares to an accredited investor for proceeds of \$250,000 (\$0.25 per share). In addition, the investor received three-year warrants to acquire 500,000 shares for a strike price of \$0.40 and three-year warrants to acquire 50,000 shares for a strike price of \$0.60 per share.

On June 30, 2017, the Company sold a total of 215,000 shares to a Related Party for proceeds of \$53,750 (\$0.25 per share).

NOTE 13 OPTIONS AND WARRANTS

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

Stock Options:

	Number of Options	Weighted Average Exercise Price
Balance at December 31, 2016	4,207,181	\$.49
Granted	200,000	.25
Exercised	(167,181)	(.10)
Expired		
Balance at June 30, 2017	4,240,000	\$.51

The Company's stock price was lower than the weighted average exercise price at June 30, 2017 and December 31, 2016, therefore there is no aggregate intrinsic value of the options and warrants.

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 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 3 years. On April 4, 2017, a consultant exercised stock options of 167,181 with an exercise price of \$.10 for \$16,718. During the six months ended June 30, 2017 the consultant exercised the stock options.

On February 25, 2016, Mr. Vincent L. Celentano was appointed to the Board of Directors of the Company. In conjunction with his appointment, the Company issued Mr. Celentano an option to acquire 1,000,000 shares of the Company's common stock. The option was fully vested at issuance and has a strike price of \$0.51 per share and expires February 25, 2023. In addition, the Company appointed Edward A. Cespedes to be its Chairman of the Board of Directors. In conjunction with his appointment, Edward A. Cespedes was issued an option to acquire 1,000,000 shares of the Company's common stock. The option was fully vested at issuance and has a strike price of \$0.51 per share and expires February 29, 2023. The options were valued using the Black Scholes Option Pricing Model, with the following assumptions: dividend yield at 0%, annual volatility of 153%, risk free interest rates of .78% based on expected life of 2 years.

On February 25, 2016, the Company issued two consultants options to acquire 1,000,000 shares of the Company's common stock each. The options were fully vested at issuance and have a strike price of \$0.51 per share and expire February 25, 2023. In addition, based on consulting agreements, consultants may be entitled to additional compensation based on net income or net sales criteria. The option was fully vested at issuance and has a strike price of \$0.51 per share and expires February 29, 2023. The options were valued using the Black Scholes Option Pricing Model, with the following assumptions: dividend yield at 0%, annual volatility of 153%, risk free interest rates of .78% based on expected life of 2 years.

On February 29, 2016, the Company issued stock options to acquire a total of 40,000 shares of the Company's common stock to three employees. The options have a strike price of \$0.51 per share and expire on March 1, 2021. The options vest 25% per year over 4 years beginning on March 1, 2017. The options were valued using the Black Scholes Option Pricing Model, with the following assumptions: dividend yield at 0%, annual volatility of 153%, risk free interest rates of .78% based on expected life of 2 years.

PAYMEON, INC. AND SUBSIDIARIES**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017 AND 2016****(UNAUDITED)**

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 2 years.

During the six months ended June 30, 2017 and 2016 total stock option expense amounted to \$1,056 and \$1,135,640, respectively.

Stock Warrants:

	Number of Options	Weighted Average Exercise Price
Balance at December 31, 2016		\$.
Granted	1,260,000	.50
Exercised		
Expired		
Balance at June 30, 2017	1,260,000	\$.50

On June 20, 2017, the Company sold a total of 100,000 shares to an accredited investor for proceeds of \$25,000 (\$0.25 per share). In addition, the investor received three-year warrants to acquire 50,000 shares for a strike price of \$0.40 and three-year warrants to acquire 50,000 shares for a strike price of \$0.60 per share.

On June 27, 2017, the Company sold a total of 60,000 shares to an accredited investor for proceeds of \$15,000 (\$0.25 per share). In addition, the investor received three-year warrants to acquire 30,000 shares for a strike price of \$0.40 and three-year warrants to acquire 30,000 shares for a strike price of \$0.60 per share.

On June 29, 2017, the Company sold a total of 100,000 shares to an accredited investor for proceeds of \$25,000 (\$0.25 per share). In addition, the investor received three-year warrants to acquire 50,000 shares for a strike price of \$0.40 and three-year warrants to acquire 50,000 shares for a strike price of \$0.60 per share.

On June 30, 2017, the Company sold a total of 1,000,000 shares to an accredited investor for proceeds of \$250,000 (\$0.25 per share). In addition, the investor received three-year warrants to acquire 500,000 shares for a strike price of \$0.40 and three-year warrants to acquire 50,000 shares for a strike price of \$0.60 per share.

As of June 30, 2017 and December 31, 2016 there are 5,500,000 and 4,167,181, respectively of options and warrants that are vested.

NOTE 14 RELATED PARTIES

On August 15, 2011, the Company entered into an employment agreement with its Chief Executive Officer. The agreement is for a period of one year and automatically extends for one day each day until either party notifies 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.

For the six months ended June 30, 2017 and 2016 recorded a salary expense of \$87,500 and \$87,500, respectively. Accrued compensation at June 30, 2017 and December 31, 2016 was \$444,422 and \$463,760, respectively. (See Note 11)

As of June 30, 2017 and December 31, 2016, the Company's Chief Executive Officer was owed \$19,071 and \$56,635 for amounts he paid on behalf of the Company.

See Note 5 for Convertible Notes Payable Related Party, Note 10 for Purchase Order Financing Related Party, Note 11 for Commitments involving Related Parties and Note 13 for issuance of stock options to related parties.

PAYMEON, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017 AND 2016

(UNAUDITED)

NOTE 15 SEGMENTS

The Company follows the provisions of ASC 280-10 *Disclosures about Segments of an Enterprise and Related Information*. This standard requires that companies disclose operating segments based on the manner in which management disaggregates the Company in making operating decisions. As of June 30, 2017, and for the three and six months ended June 30, 2017 and 2016, the Company operated in three and two segments, respectively. Our Chief Executive Officer acts as our Chief Operating Decision Maker for the segment disclosures. Our operating segments include one that sells electric bicycles and related products made by other manufacturers, PayMeOn Brands, Inc., is in the business of developing, marketing, managing and monetizing lifestyle brands and products. The Company intends to 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. The Company formed a new subsidiary on February 21, 2017, the Company executed a membership interest purchase agreement to acquire 100% of the membership interests of Rockstar. Rockstar was organized under the laws of the State of Florida in November 2016. Rockstar 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.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Revenues:				
Rebar sales, net	\$	\$	\$	\$
Product sales clothing, net	25,618	24,232	25,618	24,232
Product sales bicycles	1,259	77,444	12,291	167,064
Total revenues	\$ 26,877	\$ 101,676	\$ 37,909	\$ 191,296
Cost of goods sold:				
Rebar	\$	\$	\$	\$
Clothing	16,429		16,429	
Bicycles	16,473	48,999	23,980	94,580
Total cost of goods sold	\$ 32,902	\$ 48,999	\$ 40,409	\$ 94,580
Gross Profit (Loss):				

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Rebar	\$		\$	\$	\$	
Clothing		9,189		24,232	9,189	24,232
Bicycles		(15,214)		28,445	(11,689)	72,484
Total Gross Profit (Loss)	\$	(6,025)	\$	52,677	\$ (2,500)	\$ 96,716
Segment Depreciation:						
Rebar	\$		\$	\$	\$	
Clothing						
Bicycles		149		16,312	16,368	32,692
Total Segment Depreciation	\$	149	\$	16,312	\$ 16,368	\$ 32,692

PAYMEON, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017 AND 2016

(UNAUDITED)

	2017	June 30, 2016
Segment intangible assets:		
Rebar	\$ 472,466	\$
Clothing		
Bicycles		
Total Intangible Assets	\$ 472,466	\$
Segment assets:		
Rebar	\$ 1,534,000	\$
Clothing		19,004
Bicycles	2,098	328,051
Total Segment Assets	\$ 1,543,286	\$ 347,055

We currently only track certain assets at the segment level.

As of June 30, 2017 and December 31, 2016, the Company had inventory of bicycles and clothing \$0 and \$11,916 and \$0, respectively and rebar of \$400,000 and \$0, respectively.

NOTE 16 CONCENTRATIONS

For the six months ended June 30, 2016, one customer amounted to 13% of the product sales and two vendors accounted for 29% of cost of goods sold were acquired from an affiliate entity and an outside vendor accounted for 28%.

For the six months ended June 30, 2017 one customer amounted to 68% of product sales and one vendor amounted to 100% of cost of goods sold of clothing.

NOTE 17 SUBSEQUENT EVENTS

On July 1, 2017, the Company entered into a consultant agreement with a consultant to provide services related to the concrete and rebar industries. Upon entering into the agreement, the Company issued the consultant 500,000 restricted common shares and agreed to issue additional 500,000 restricted common share increments quarterly on October 1, 2017, January 1, 2018, and April 1, 2018. The term of the agreement is for a period of 3 years. The Company may terminate the agreement after the end of any quarter with 30 days notice.

On July 18, 2017, the Company sold a total of 75,000 shares to an accredited investor for proceeds of \$18,750 (\$0.25 per share).

On July 24, 2017, the Company entered into a consultant agreement with a consultant to provide sales development services. Upon entering into the agreement, the Company issued the consultant 100,000 restricted common shares valued at \$29,070 (\$0.2907 per share). The term of the agreement is for a period of 12 months.

On August 9, 2017, the Company entered into a Secured Promissory Note and General Collateral Assignment and Security Agreement with a third-party lender in the amount of \$200,000. The Note bears interest at a rate of 10% per annum and is repayable 90 days from its inception and is secured by all accounts, equipment, general intangibles, inventory and other collateral of the Company.

On August 11, 2017, the Company sold a total of 125,000 shares to an accredited investor for proceeds of \$25,000 (\$0.20 per share).

On August 14, 2017, the Company sold a total of 100,000 shares to an accredited investor for proceeds of \$25,000 (\$0.25 per share). In addition, the investor received three-year warrants to acquire 100,000 shares for a strike price of \$0.40.

PAYMEON, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017 AND 2016

(UNAUDITED)

On August 18, 2017, the Company sold a total of 150,000 shares to an accredited investor for proceeds of \$37,500 (\$0.25 per share).

On September 20, 2017, the Company sold a total of 100,000 shares to an accredited investor for proceeds of \$25,000 (\$0.25 per share). In addition, the investor received three-year warrants to acquire 50,000 shares for a strike price of \$0.40 and three-year warrants to acquire 50,000 shares for a strike price of \$0.60 per share.

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 at time of issuance.

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 will be reflected as a material modification in the Company's quarter ended September 30, 2017.

On October 2, 2017, the Company sold a total of 120,000 shares to an accredited investor for proceeds of \$30,000 (\$0.25 per share). In addition, the investor received three-year warrants to acquire 15,000 shares for a strike price of \$0.40 and three-year warrants to acquire 15,000 shares for a strike price of \$0.60 per share.

On October 17, 2017, the Company sold a total of 25,000 shares to an accredited investor for proceeds of \$6,250 (\$0.25 per share).

On October 17, 2017, the Company granted options to purchase 1,250,000 shares at a strike price of \$0.25 per share to three members of its Board of Directors. The options were immediately vested upon issuance and expire on October 17, 2022.

On October 17, 2017, the Company granted option to purchase 60,000 shares at a strike price of \$0.25 per share to 3 employees. 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.

On October 17, 2017, the Company granted an option to purchase 50,000 shares at a strike price of \$0.25 per share to a consultant. 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.

On October 17, 2017, the Company issued a five-year warrant to acquire 500,000 common shares for a strike price of \$0.40 per share to a consultant.

On October 17, 2017, the Company issued a five-year warrant to acquire 500,000 common shares for a strike price of \$0.40 per share to a consultant.

On October 26, 2017, the Company sold a total of 400,000 shares to an accredited investor for proceeds of \$100,000 (\$0.25 per share). In addition, the investor received three-year warrants to acquire 200,000 shares for a strike price of \$0.40 and three-year warrants to acquire 200,000 shares for a strike price of \$0.60 per share.

On October 30, 2017, the Company sold a total of 10,000 shares to an accredited investor for proceeds of \$2,500 (\$0.25 per share). In addition, the investor received three-year warrants to acquire 5,000 shares for a strike price of \$0.40 and three-year warrants to acquire 5,000 shares for a strike price of \$0.60 per share.

On November 1, 2017, the Company sold a total of 40,000 shares to an accredited investor for proceeds of \$10,000 (\$0.25 per share). In addition, the investor received three-year warrants to acquire 20,000 shares for a strike price of \$0.40 and three-year warrants to acquire 20,000 shares for a strike price of \$0.60 per share.

PAYMEON, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017 AND 2016

(UNAUDITED)

On November 3, 2017, the Company sold a total of 400,000 shares to a related party for proceeds of \$100,000 (\$0.25 per share). In addition, the investor received three-year warrants to acquire 200,000 shares for a strike price of \$0.40 and three-year warrants to acquire 200,000 shares for a strike price of \$0.60 per share.

On November 7, 2017, the Company entered into a consultant agreement with 5 consultants to provide sales development, marketing and engineering services. Upon entering into the agreement, the Company issued the consultants 380,000 restricted common shares valued at \$121,600 (\$0.32 per share). The term of the agreement is for a period of 12 months.

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

On November 16, 2017, the Company issued 1,250,000 shares in conjunction with 3 previously disclosed consulting agreements.

On November 21, 2017, the Company sold a total of 120,000 shares to an accredited investor for proceeds of \$30,000 (\$0.25 per share). In addition, the investor received three-year warrants to acquire 60,000 shares for a strike price of \$0.40 and three-year warrants to acquire 60,000 shares for a strike price of \$0.60 per share.

On November 27, 2017, the Company was granted an extension for a Secured Promissory Note and General Collateral Assignment and Security Agreement with a third-party lender in the amount of \$200,000 that was originally issued on August 9, 2017 and was due on November 9, 2017. The Company was granted an extension by the third-party lender to December 31, 2017. 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. 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.

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On November 28, 2017, the Company sold a total of 100,000 shares to an accredited investor for proceeds of \$25,000 (\$0.25 per share). In addition, the investor received three-year warrants to acquire 50,000 shares for a strike price of \$0.40 and three-year warrants to acquire 50,000 shares for a strike price of \$0.60 per share.

On November 30, 2017, the Company sold a total of 40,000 shares to an accredited investor for proceeds of \$10,000 (\$0.25 per share). In addition, the investor received three-year warrants to acquire 20,000 shares for a strike price of \$0.40 and three-year warrants to acquire 20,000 shares for a strike price of \$0.60 per share.

On December 4, 2017, the Company sold a total of 20,000 shares to an accredited investor for proceeds of \$5,000 (\$0.25 per share). In addition, the investor received three-year warrants to acquire 10,000 shares for a strike price of \$0.40 and three-year warrants to acquire 10,000 shares for a strike price of \$0.60 per share.

On December 5, 2017, the Company sold a total of 100,000 shares to an accredited investor for proceeds of \$25,000 (\$0.25 per share). In addition, the investor received three-year warrants to acquire 50,000 shares for a strike price of \$0.40 and three-year warrants to acquire 50,000 shares for a strike price of \$0.60 per share.

On December 11, 2017, Rockstar entered into a promissory note with E Pay Funding in the amount of \$30,000. The promissory note bears interest of 10% per annum and matures on March 11, 2018. Rockstar may prepay the note in part or in full without penalty.

On December 16, 2017, the Company sold a total of 20,000 shares to an accredited investor for proceeds of \$5,000 (\$0.25 per share). In addition, the investor received three-year warrants to acquire 10,000 shares for a strike price of \$0.40 and three-year warrants to acquire 10,000 shares for a strike price of \$0.60 per share.

On December 16, 2017, the Company sold a total of 80,000 shares to an accredited investor for proceeds of \$20,000 (\$0.25 per share). In addition, the investor received three-year warrants to acquire 40,000 shares for a strike price of \$0.40 and three-year warrants to acquire 40,000 shares for a strike price of \$0.60 per share.

PAYMEON, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017 AND 2016

(UNAUDITED)

On December 16, 2017, the Company sold a total of 100,000 shares to an accredited investor for proceeds of \$25,000 (\$0.25 per share). In addition, the investor received three-year warrants to acquire 50,000 shares for a strike price of \$0.40 and three-year warrants to acquire 50,000 shares for a strike price of \$0.60 per share.

On December 16, 2017, the Company sold a total of 100,000 shares to an accredited investor for proceeds of \$25,000 (\$0.25 per share). In addition, the investor received three-year warrants to acquire 50,000 shares for a strike price of \$0.40 and three-year warrants to acquire 50,000 shares for a strike price of \$0.60 per share.

On December 21, 2017, the Company sold a total of 20,000 shares to an accredited investor for proceeds of \$5,000 (\$0.25 per share). In addition, the investor received three-year warrants to acquire 10,000 shares for a strike price of \$0.40 and three-year warrants to acquire 10,000 shares for a strike price of \$0.60 per share.

On December 29, 2017, the Company sold a total of 333,333 shares to an accredited investor for proceeds of \$100,000 (\$0.30).

On January 9, 2018, the Company sold a total of 100,000 shares to an accredited investor for proceeds of \$25,000 (\$0.25 per share). In addition, the investor received three-year warrants to acquire 50,000 shares for a strike price of \$0.40 and three-year warrants to acquire 50,000 shares for a strike price of \$0.60 per share.

On January 9, 2018, the Company sold a total of 100,000 shares to an accredited investor for proceeds of \$25,000 (\$0.25 per share). In addition, the investor received three-year warrants to acquire 50,000 shares for a strike price of \$0.40 and three-year warrants to acquire 50,000 shares for a strike price of \$0.60 per share.

On January 11, 2018, the Company sold a total of 125,000 shares to an accredited investor for proceeds of \$31,250 (\$0.25 per share). In addition, the investor received three-year warrants to acquire 62,500 shares for a strike price of \$0.40 and three-year warrants to acquire 62,500 shares for a strike price of \$0.60 per share.

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. You should 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 condensed financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q.

Overview

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. During the second quarter, we began configuring our Basalt America manufacturing facilities for production and commenced the preparation of sales and marketing plans. While we continue to have the ability to sell bicycles on a limited basis and remain committed to growing our Paymeon Brands business opportunistically, our focus and resources will be on the Basalt

America business..

BASALT AMERICA

In February, 2017, we acquired 100% of the membership interests of Rockstar Acquisitions, LLC. Rockstar Acquisitions, LLC conducts business under the name Basalt America, and 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. We estimate that at the end of the second quarter, the facility had the ability to produce approximately two to three miles of basalt fiber reinforced polymer rebar per day. We expect our capacity to continue to grow substantially during the 2018.

During the second quarter 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 owned 50% by Basalt America and 50% by a third-party investor. The joint ventures will buy product for resale from Basalt America with dedicated production capacity paid for by the joint ventures. Operations are expected to commence during the first quarter of 2018.

Going forward, we expect most of the investment we make to be in our Basalt America operations. We believe we will require at least \$3 million in additional capital during the next 6 months. We will likely fund this investment through the issuance of equity or convertible notes to accredited investors. We expect to begin sales of our products during the first quarter of 2018.

ELECTRIC BICYCLE BUSINESS

We have owned and operated a retail store dedicated to the sale of electric bicycles and other alternative transportation products (such as hoverboards) since October, 2015. This business has been limited as a result of an automobile driving through our showroom, which has not been repaired. While we have shifted our focus primarily to our Basalt America operations, we intend to remain in the electric bicycle business at this time.

PAYMEON BRANDS

Paymeon Brands was formed in March 2016 to develop, market, manage and monetize lifestyle brands and products. The Company intends to leverage its relationships and expertise with manufacturing, wholesale and retail distribution, and social influencer promotion, primarily in youth oriented lifestyle markets to create and grow new and existing brands across products. Generally, Paymeon Brands intends to acquire exclusive licensing rights to brands it believes are expandable to additional product lines. We incur minimum overhead related to this business and approach investment on a project by project basis.

Results of Operations

Revenues for the three months and six months ended June 30, 2017, totaled \$26,877 and \$37,909, respectively, and were derived primarily from sales of lifestyle apparel related to our Paymeon Brands business. Revenues for the three months and six months ended June 30, 2016, were \$101,676 and \$191,296, respectively and were primarily derived from the sale of light electric vehicles and lifestyle apparel. The \$74,799 and \$153,387, respectively, decrease in 2017 sales represents a decrease of 73% and 80% over the same periods in 2016 and reflects the decline in sales of electric bicycles due to business interruption caused by damage to our retail facility, and a decline in our apparel sales due to fewer business opportunities that met our investment requirements.

Operating expenses for the three months and six months ended June 30, 2017, totaled \$442,646 and \$991,547, respectively, reflecting an increase of \$58,079 or 15% from \$384,567 for the three months ended June 30, 2016, and a decrease of \$991,547, or 53% from \$1,854,659 for the six months ended June 30, 2016. The increases in operating expenses for the three months ended June 30, 2017 over the same period ended June 30, 2016 were primarily due to start-up and other general and administrative expenses related to the commencement of operations at our Basalt America subsidiary and included increased general and administrative (G&A) expenses of \$8,335, increased consulting expenses of \$66,379 due to the issuance of common stock for services, , increased professional fees of \$4,768, which were partially offset by decreased payroll and payroll taxes of 21,403 over the same period ended June 30, 2016.

The decreases in operating expenses for the six months ended June 30, 2017 over the same period ended June 30, 2016 were primarily due to the launch of our Paymeon Brands. general and administrative (G&A) expenses decreased \$448,084 or 60% consulting expenses decreased \$483,343 or 55% due to the issuance of common stock for services,, increased professional fees of \$76,256 or 120% which was a result of the commencement of operations at our Basalt America subsidiary during the six months ended June 30, 2017 and , which were partially offset by decreased payroll and payroll taxes of \$7,801 or 5% over the same period ended June 30, 2016. In addition, operating expenses for the six month period ended June 30, 2016 include non-cash expenses of \$567,286 and \$566,752 related to the issuance of stock options to employees and directors and warrants to consultants, respectively.

During the six months ended June 30, 2017 the Company impaired leasehold improvements of \$221,238. The Company recognized a loss on the impairment of \$221,328.

Interest expense for three months and six months ended June 30, 2017, totaled \$23,307 and \$72,708 reflecting a decrease of \$32,703 or 45% from \$72,708 and \$156,136 for the three months and six months ended June 30, 2016 the reduction in interest expense was due to a a related party converted \$368,366 of convertible notes issued from 2014 to 2016 into common shares during the six months ended June 30,2017 as well as reduced amortization of the beneficial conversion feature on convertible loans

Liquidity and Capital Resources

At June 30, 2017, we had \$530,309 of cash and a working capital deficit of \$1,854,963. We require additional working capital. See Plan of Operations below.

Since inception, the Company has incurred net operating losses and used cash in operations. As of June 30, 2017, the Company had an accumulated deficit of \$13,561,574. The Company has also dedicated substantial resources required 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 financing for our plan of operations.

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 2017 and will continue until we have cash flow to cover our expenses.

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 is payable on or before 12 months from the date of issuance. 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, 2017 and December 31, 2016 amounted to \$52,213 and \$46,499, 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 March 31, 2018.

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 is payable on or before 12 months from the date of issuance. 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 March 31, 2018. During the six months ended June 30, 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, 2017 and December 31, 2016 the Company fully amortized the debt discount and accrued interest amounted to \$1,866 and \$18,496, respectively.

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 is payable on or before 12 months from the date of issuance. 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 March 31, 2018. The Company recorded a debt discount of \$217,700 for the fair value of the beneficial conversion feature. During the six months ended June 30, 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, 2017 and December 31, 2016 the Company fully amortized the debt discount and accrued interest amounted to \$2,639 and \$19,410, respectively..

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 is payable on or before 12 months from the date of issuance. 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 March 31, 2018. The Company recorded a debt discount of \$183,500 for the fair value of the beneficial conversion feature. During the six months ended June 30, 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, 2017 and December 31, 2016 the Company amortized \$183,500 and \$171,975 of the debt discount and recorded accrued interest of \$30,531 and \$24,510, respectively.

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.

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 is payable on or before October 22, 2017, unless the note is 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. 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, 2017 and

December 31, 2016 accrued interest amounted to \$35,441 and \$25,085, 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. The modifications to the debt will be reflected as a material modification in the Company's quarter ended September 30, 2017.

In December and September 2010, the Company issued unsecured, non-interest bearing, due on demand notes for \$8,000 and \$16,000, respectively. During the quarter ended December 31, 2010 the Company repaid \$22,000. As of June 30, 2017, the outstanding principal balance of the notes was \$2,000.

On July 13, 2016, HLM PayMeOn, Inc., the Company's wholly owned subsidiary, entered into a merchant agreement with Summit Capital Partners (SCP), whereby it sold \$40,500 of accounts receivable (the Receipts Purchased Amount) for a total purchase price of \$30,000. HLM PayMeOn shall repay \$337 daily until the Receipts Purchased Amount is repaid. The Company recorded a \$10,500 deferred finance charge on the date of issuance. To secure HLM PayMeOn's payment and performance obligations to SCP, HLM PayMeOn has granted to SCP a security interest in all HLM PayMeOn's accounts, chattel paper, documents, equipment, general intangibles, instruments and inventory. In addition, the Company's directors have individually guaranteed repayment of the Receipts Purchased Amount. As of June 30, 2017 and December 31, 2016 the Company has a balance owed \$0 and \$1,885, respectively and has amortized a total of \$10,500.

On May 25, 2017, the Company received \$10,000 in the form of a demand note from a Related Party. The note is payable on demand and bears no interest.

On June 2, 2017, the Company received \$5,000 in the form of a demand note from a Related Party. The note is payable on demand and bears no interest.

On August 17, 2016, PayMeOn Brands, Inc., a wholly-owned subsidiary of the Company, entered into a purchase order purchase and sale agreement with a third party purchaser, whereby PayMeOn Brands sold \$50,000 of current purchase orders in exchange for \$40,000. 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 \$10,000 deferred finance charge on the date of issuance. As of December 31, 2016 the Company amortized \$10,000 of the deferred finance charge. During the year ended December 31, 2016 the Company repaid a total of \$33,500. On December 15, 2016 the holder converted the remaining balance of \$16,500 into 883,936 shares of common stock as \$0.0187 per share. The fair value price per share at August 17, 2016 was \$0.55 per share. Therefore the Company recorded a \$469,665 loss on conversion of debt. As of June 30, 2017 and December 31, 2016 the Company had a balance of \$0 and \$1,885 outstanding, respectively.

On September 9, 2016, PayMeOn Brands, Inc., a wholly-owned subsidiary of the Company, entered into a purchase order purchase and sale agreement with a third party purchaser, whereby PayMeOn Brands sold \$20,000 of current purchase orders in exchange for \$15,000. 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 \$5,000 deferred finance charge on the date of issuance. As of December 31, 2016 the Company amortized \$5,000 of the deferred finance charge and repaid \$5,000. On December 15, 2016 the holder converted the remaining balance of \$20,000 into 1,142,849 shares of common stock as \$0.0175 per share. The fair value price per share at August 17, 2016 was \$0.55 per share. Therefore the Company recorded a \$608,567 loss on conversion of debt.

On September 14, 2016, PayMeOn Brands, Inc. entered into a purchase order purchase and sale agreement with a related party, whereby PayMeOn Brands sold \$5,000 of current purchase orders in exchange for \$4,000. 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 \$1,000 of the deferred finance charge. As of June 30, 2017 and December 31, 2016 the Company has a balance outstanding of \$4,000 and \$4,000, respectively.

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 are expected to commence during the first quarter of 2018. The Company will own 55.3% of the joint venture and the investors will own 44.7% of the joint venture. During the second quarter of 2017, the Company entered into a term sheets for a Joint Venture with a related party for \$288,750 and three accredited investors for a total of \$26,250. The Funds were used as a deposit to purchase inventory. As of June 30, the non controlling interest amounted to \$88,200. Subsequent to June 30, 2017 the Company received the remaining \$187,500 from two accredited investors which amounted to 16.7% of the joint venture.

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. The Joint Venture will commence operations during the first quarter of 2018. The Company will own 50% of the Joint Venture. The remaining 50% is owned by a non-related party. There was no consideration paid by either party for their interest.

During the six months ended June 30, 2017 quarter, the Company realized proceeds from the sale of our common stock in the amount of \$2,241,178.

Notwithstanding the proceeds of the second quarter and post-second quarter financings, 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 \$2,250,000 to maintain our current operations through the next 12 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.

Subsequent Events

On July 1, 2017, the Company entered into a consultant agreement with a consultant to provide services related to the concrete and rebar industries. Upon entering into the agreement, the Company issued the consultant 500,000 restricted common shares and agreed to issue additional 500,000 restricted common share increments quarterly on October 1, 2017, January 1, 2018, and April 1, 2018. The term of the agreement is for a period of 3 years. The Company may terminate the agreement after the end of any quarter with 30 days notice.

On July 18, 2017, the Company sold a total of 75,000 shares to an accredited investor for proceeds of \$18,750 (\$0.25 per share).

On July 24, 2017, the Company entered into a consultant agreement with a consultant to provide sales development services. Upon entering into the agreement, the Company issued the consultant 100,000 restricted common shares valued at \$29,070 (\$0.2907.per share). The term of the agreement is for a period of 12 months.

On August 9, 2017, the Company entered into a Secured Promissory Note and General Collateral Assignment and Security Agreement with a third-party lender in the amount of \$200,000. The Note bears interest at a rate of 10% per annum and is repayable 90 days from its inception and is secured by all accounts, equipment, general intangibles, inventory and other collateral of the Company.

On August 11, 2017, the Company sold a total of 125,000 shares to an accredited investor for proceeds of \$25,000 (\$0.20 per share).

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On August 14, 2017, the Company sold a total of 100,000 shares to an accredited investor for proceeds of \$25,000 (\$0.25 per share). In addition, the investor received three-year warrants to acquire 100,000 shares for a strike price of \$0.40.

On August 18, 2017, the Company sold a total of 150,000 shares to an accredited investor for proceeds of \$37,500 (\$0.25 per share).

On September 20, 2017, the Company sold a total of 100,000 shares to an accredited investor for proceeds of \$25,000 (\$0.25 per share). In addition, the investor received three-year warrants to acquire 50,000 shares for a strike price of \$0.40 and three-year warrants to acquire 50,000 shares for a strike price of \$0.60 per share.

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 will be reflected as a material modification in the Company's quarter ended September 30, 2017.

On October 2, 2017, the Company sold a total of 120,000 shares to an accredited investor for proceeds of \$30,000 (\$0.25 per share). In addition, the investor received three-year warrants to acquire 15,000 shares for a strike price of \$0.40 and three-year warrants to acquire 15,000 shares for a strike price of \$0.60 per share.

On October 17, 2017, the Company sold a total of 25,000 shares to an accredited investor for proceeds of \$6,250 (\$0.25 per share).

On October 17, 2017, the Company granted options to purchase 1,250,000 shares at a strike price of \$0.25 per share to three members of its Board of Directors. The options were immediately vested upon issuance and expire on October 17, 2022.

On October 17, 2017, the Company granted option to purchase 60,000 shares at a strike price of \$0.25 per share to 3 employees. 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.

On October 17, 2017, the Company granted an option to purchase 50,000 shares at a strike price of \$0.25 per share to a consultant. 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.

On October 17, 2017, the Company issued a five-year warrant to acquire 500,000 common shares for a strike price of \$0.40 per share to a consultant.

On October 17, 2017, the Company issued a five-year warrant to acquire 500,000 common shares for a strike price of \$0.40 per share to a consultant.

On October 26, 2017, the Company sold a total of 400,000 shares to an accredited investor for proceeds of \$100,000 (\$0.25 per share). In addition, the investor received three-year warrants to acquire 200,000 shares for a strike price of \$0.40 and three-year warrants to acquire 200,000 shares for a strike price of \$0.60 per share.

On October 30, 2017, the Company sold a total of 10,000 shares to an accredited investor for proceeds of \$2,500 (\$0.25 per share). In addition, the investor received three-year warrants to acquire 5,000 shares for a strike price of \$0.40 and three-year warrants to acquire 5,000 shares for a strike price of \$0.60 per share.

On November 1, 2017, the Company sold a total of 40,000 shares to an accredited investor for proceeds of \$10,000 (\$0.25 per share). In addition, the investor received three-year warrants to acquire 20,000 shares for a strike price of \$0.40 and three-year warrants to acquire 20,000 shares for a strike price of \$0.60 per share.

On November 3, 2017, the Company sold a total of 400,000 shares to a related party for proceeds of \$100,000 (\$0.25 per share). In addition, the investor received three-year warrants to acquire 200,000 shares for a strike price of \$0.40 and three-year warrants to acquire 200,000 shares for a strike price of \$0.60 per share.

On November 7, 2017, the Company entered into a consultant agreement with 5 consultants to provide sales development, marketing and engineering services. Upon entering into the agreement, the Company issued the consultants 380,000 restricted common shares valued at \$121,600 (\$0.32 per share). The term of the agreement is for a period of 12 months.

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

On November 16, 2017, the Company issued 1,250,000 shares in conjunction with 3 previously disclosed consulting agreements.

On November 21, 2017, the Company sold a total of 120,000 shares to an accredited investor for proceeds of \$30,000 (\$0.25 per share). In addition, the investor received three-year warrants to acquire 60,000 shares for a strike price of \$0.40 and three-year warrants to acquire 60,000 shares for a strike price of \$0.60 per share.

On November 27, 2017, the Company was granted an extension for a Secured Promissory Note and General Collateral Assignment and Security Agreement with a third-party lender in the amount of \$200,000 that was originally issued on August 9, 2017 and was due on November 9, 2017. The Company was granted an extension by the third-party lender to December 31, 2017. 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. 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 November 28, 2017, the Company sold a total of 100,000 shares to an accredited investor for proceeds of \$25,000 (\$0.25 per share). In addition, the investor received three-year warrants to acquire 50,000 shares for a strike price of \$0.40 and three-year warrants to acquire 50,000 shares for a strike price of \$0.60 per share.

On November 30, 2017, the Company sold a total of 40,000 shares to an accredited investor for proceeds of \$10,000 (\$0.25 per share). In addition, the investor received three-year warrants to acquire 20,000 shares for a strike price of \$0.40 and three-year warrants to acquire 20,000 shares for a strike price of \$0.60 per share.

On December 4, 2017, the Company sold a total of 20,000 shares to an accredited investor for proceeds of \$5,000 (\$0.25 per share). In addition, the investor received three-year warrants to acquire 10,000 shares for a strike price of \$0.40 and three-year warrants to acquire 10,000 shares for a strike price of \$0.60 per share.

On December 5, 2017, the Company sold a total of 100,000 shares to an accredited investor for proceeds of \$25,000 (\$0.25 per share). In addition, the investor received three-year warrants to acquire 50,000 shares for a strike price of \$0.40 and three-year warrants to acquire 50,000 shares for a strike price of \$0.60 per share.

On December 11, 2017, Rockstar entered into a promissory note with E Pay Funding in the amount of \$30,000. The promissory note bears interest of 10% per annum and matures on March 11, 2018. Rockstar may prepay the note in part or in full without penalty.

On December 16, 2017, the Company sold a total of 20,000 shares to an accredited investor for proceeds of \$5,000 (\$0.25 per share). In addition, the investor received three-year warrants to acquire 10,000 shares for a strike price of \$0.40 and three-year warrants to acquire 10,000 shares for a strike price of \$0.60 per share.

On December 16, 2017, the Company sold a total of 80,000 shares to an accredited investor for proceeds of \$20,000 (\$0.25 per share). In addition, the investor received three-year warrants to acquire 40,000 shares for a strike price of \$0.40 and three-year warrants to acquire 40,000 shares for a strike price of \$0.60 per share.

On December 16, 2017, the Company sold a total of 100,000 shares to an accredited investor for proceeds of \$25,000 (\$0.25 per share). In addition, the investor received three-year warrants to acquire 50,000 shares for a strike price of \$0.40 and three-year warrants to acquire 50,000 shares for a strike price of \$0.60 per share.

On December 16, 2017, the Company sold a total of 100,000 shares to an accredited investor for proceeds of \$25,000 (\$0.25 per share). In addition, the investor received three-year warrants to acquire 50,000 shares for a strike price of \$0.40 and three-year warrants to acquire 50,000 shares for a strike price of \$0.60 per share.

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On December 21, 2017, the Company sold a total of 20,000 shares to an accredited investor for proceeds of \$5,000 (\$0.25 per share). In addition, the investor received three-year warrants to acquire 10,000 shares for a strike price of \$0.40 and three-year warrants to acquire 10,000 shares for a strike price of \$0.60 per share.

On December 29, 2017, the Company sold a total of 333,333 shares to an accredited investor for proceeds of \$100,000 (\$0.30).

On January 9, 2018, the Company sold a total of 100,000 shares to an accredited investor for proceeds of \$25,000 (\$0.25 per share). In addition, the investor received three-year warrants to acquire 50,000 shares for a strike price of \$0.40 and three-year warrants to acquire 50,000 shares for a strike price of \$0.60 per share.

On January 9, 2018, the Company sold a total of 100,000 shares to an accredited investor for proceeds of \$25,000 (\$0.25 per share). In addition, the investor received three-year warrants to acquire 50,000 shares for a strike price of \$0.40 and three-year warrants to acquire 50,000 shares for a strike price of \$0.60 per share.

On January 11, 2018, the Company sold a total of 125,000 shares to an accredited investor for proceeds of \$31,250 (\$0.25 per share). In addition, the investor received three-year warrants to acquire 62,500 shares for a strike price of \$0.40 and three-year warrants to acquire 62,500 shares for a strike price of \$0.60 per share.

Critical Accounting Policies and Estimates

Revenue Recognition

The Company recognizes 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 is recorded as deferred revenue. Sales are 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.

The Company recognizes 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 is recorded as deferred revenue. Sales are 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.

In March 2016, the FASB issued ASU No. 2016-08, Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net). This ASU clarifies the implementation guidance on principal versus agent considerations. The guidance includes indicators to assist an entity in determining whether it controls a specified good or service before it is transferred to the customers.

The Company is currently evaluating the impact the new revenue recognition guidance will have on its Financial Statements.

The Company recognizes revenue from the sale of keywords over the period the keywords are purchased for exclusive use, usually one year.

The Company recognizes revenue from setup fees in accordance with Topic 13, which requires the fees to be deferred and amortized over the term of the agreements. Revenue from the sale of bulk text messages sales and packages are recognized over twelve months. Revenue from monthly membership fees are recorded during the month the membership is earned.

The Company recognizes revenue from bike sales when delivered to our customers and collectability is reasonably assured.

Stock-Based Compensation

The Company recognizes compensation costs to employees under FASB Accounting Standards Codification No. 718, *Compensation - Stock Compensation*. Under FASB Accounting Standards Codification No. 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 Accounting Standards Codification No. 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.

Recent Accounting Pronouncements

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 does not believe that this amendment will impact the financial position or results of its operations.

In January 2017, the FASB issued Accounting Standard Update (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 January 2017, the FASB issued ASU 2017-01 *Business Combinations (Topic 805), Clarifying the Definition of a Business*. 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 clarify the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The definition of a business affects many areas of accounting including acquisitions, disposals, goodwill, and consolidation. Public business entities should apply the amendments in this update to annual periods beginning after December 15, 2017. Early application is permitted under certain conditions. 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. Early adoption is permitted. The Company is assessing the impact, if any, of implementing this guidance on its financial position, results of operations and liquidity.

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. We are currently in the process of assessing the impact the adoption of this guidance will have on the Company's condensed consolidated financial statements.

In May 2014, August 2015 and May 2016, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* , ASU 2015-14, *Revenue from Contracts with Customers, Deferral of the Effective Date* , and ASU 2016-12, *Revenue*

from Contracts with Customers, Narrow-Scope Improvements and Practical Expedients, respectively, which implement ASC Topic 606. ASC Topic 606 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance under US GAAP, including industry-specific guidance. It also requires entities to disclose both quantitative and qualitative information that enable financial statements users to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The amendments in these ASUs are effective for annual periods beginning after December 15, 2017, and interim periods therein. Early adoption is permitted for annual periods beginning after December 15, 2016. These ASUs may be applied retrospectively with a cumulative adjustment to retained earnings in the year of adoption. The Company is assessing the impact, if any, of implementing this guidance on its financial position, results of operations and liquidity.

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 condensed consolidated financial position or operating results.

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, 2016, 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 Chief Executive Officer and Chief Financial (and principal accounting) 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, 2017.

During our assessment of the effectiveness of internal control over financial reporting as of June 30, 2017 management identified significant deficiencies 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, 2017 based on the material weakness 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 financial staff 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 this material weakness, our Chief Executive Officer and Chief Financial Officer concluded that our internal control over financial reporting was not effective as of June 30, 2017. 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, 2016.

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.

On April 4, 2017, a consultant exercised previously issued stock options of 167,181 with an exercise price of \$.10 for \$16,718.

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On April 5, 2017, the Company sold a total of 52,000 shares to an accredited investor for proceeds of \$13,000 (\$0.25 per share).

On April 5, 2017, the Company issued 250,000 shares of common stock to a newly appointed Director. The Company valued the shares at \$125,000, the value of the common stock on the date of the agreement.

On April 12, 2017, the Company sold a total of 400,000 shares to an accredited investor for proceeds of \$100,000 (\$0.25 per share).

On April 12, 2017, the Company sold a total of 400,000 shares to an accredited investor for proceeds of \$100,000 (\$0.25 per share).

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 June 7, 2017, the Company entered into a consultant agreement with a consultant to provide services related to the concrete and rebar industries. Upon entering into the agreement, the Company issued the consultant 500,000 restricted common shares and agreed to issue additional 500,000 restricted common share increments quarterly on October 1, 2017, January 1, 2018, and April 1, 2018. The term of the agreement is for a period of 3 years. The Company may terminate the agreement after the end of any quarter with 30 days notice.

On June 7, 2017, the Company entered into a consultant agreement with a consultant to provide services related to the concrete and rebar industries. Upon entering into the agreement, the Company issued the consultant 250,000 restricted common shares and agreed to issue additional 250,000 restricted common share increments quarterly on October 1, 2017, January 1, 2018, and April 1, 2018. The term of the agreement is for a period of 3 years. The Company may terminate the agreement after the end of any quarter with 30 days notice.

On June 12, 2017, the Company sold a total of 15,000 shares to an accredited investor for proceeds of \$3,750 (\$0.25 per share).

On June 13, 2017, the Company sold a total of 10,000 shares to an accredited investor for proceeds of \$2,500 (\$0.25 per share).

On June 13, 2017, the Company sold a total of 10,000 shares to an accredited investor for proceeds of \$2,500 (\$0.25 per share).

On June 20, 2017, the Company sold a total of 100,000 shares to an accredited investor for proceeds of \$25,000 (\$0.25 per share). In addition, the investor received three-year warrants to acquire 50,000 shares for a strike price of \$0.40 and three-year warrants to acquire 50,000 shares for a strike price of \$0.60 per share.

On June 27, 2017, the Company sold a total of 60,000 shares to an accredited investor for proceeds of \$15,000 (\$0.25 per share). In addition, the investor received three-year warrants to acquire 30,000 shares for a strike price of \$0.40 and three-year warrants to acquire 30,000 shares for a strike price of \$0.60 per share.

On June 29, 2017, the Company sold a total of 100,000 shares to an accredited investor for proceeds of \$25,000 (\$0.25 per share). In addition, the investor received three-year warrants to acquire 50,000 shares for a strike price of \$0.40 and three-year warrants to acquire 50,000 shares for a strike price of \$0.60 per share.

On June 29, 2017, a related party converted \$369,528 of convertible notes issued from 2014 to 2016 to 2,248,620 restricted common shares. The dollar amount included \$323,048 of principal and \$46,480 of accrued interest.

On June 30, 2017, the Company sold a total of 215,000 shares to a Related Party for proceeds of \$53,750 (\$0.25 per share).

On June 30, 2017, the Company sold a total of 250,000 shares to an accredited investor for proceeds of \$250,000.

ITEM 3.

DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4.

MINE SAFETY DISCLOSURE

None.

ITEM 5.

OTHER INFORMATION

None.

ITEM 6.

EXHIBITS

Exhibit Number	Description
<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
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: January 26, 2018

PayMeOn, Inc.

By: /s/ Edward Cespedes
Edward Cespedes
Chief Executive Officer
Chief Financial Officer (Principal
Financial Officer)