

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

FORM 10-K

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

For the fiscal year ended: December 31, 2018

or

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

For the transition period from: _____ to _____

Basanite, Inc.

(Exact name of registrant as specified in its charter)

Nevada
(State or Other Jurisdiction
of Incorporation or Organization)

000-53574
(Commission
File Number)

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

2041 NW 15th Avenue, Pompano Beach, Florida 33069
(Address of Principal Executive Office) (Zip Code)

844-422-7258
(Registrant's telephone number, including area code)

2688 NW 29th Terrace, Building 13, Oakland Park, Florida 33311
(Former name or former address, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Name of each exchange on which registered</u>
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Securities registered pursuant to Section 12(g) of the Act:

Common Stock
(Title of Class)

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

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

Indicate by check 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 every Interactive Data File required to be submitted 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 such files.) Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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.

Large accelerated filer
Non-accelerated filer

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 Act). Yes No

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter (\$0.125 per share). \$6,755,071 on June 29, 2018.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date. As of March 27, 2019 there were 170,412,993 shares outstanding.

PART I

Item 1. Business.

Overview

Basanite, Inc. (“Basanite” or the “Company”, “we”, “us”, or “our”), a Nevada corporation, is a company organized on May 30, 2006. In 2017, the Company acquired Basalt America, LLC (“Basalt America”), a business dedicated to the production of reinforcement products made of basalt fiber for the construction industry. During 2018, the Company formed Basanite Industries, LLC (“Basanite Industries”) and intends to continue its reinforcement business through that company going forward. On December 19, 2018, the Company changed its name from PayMeOn, Inc. to Basanite, Inc. to more accurately reflect the new direction of the Company.

Prior to entering the reinforcement business, the Company had conducted business through two separate wholly-owned subsidiaries: HLM Paymeon, Inc., and Paymeon Brands, Inc. On March 19, 2018, the Board of Directors of the Company approved the disposal of HLM Paymeon, Inc. and Paymeon Brands, Inc. as the Company continued its strategic shift into the basalt fiber reinforcements business through Basalt America. The disposal of HLM Paymeon, Inc. and Paymeon Brands, Inc. was effective September 30, 2018. As a result of this disposal under Accounting Standards Codification (“ASC”) 205-20-45-1E, the Company has presented the assets and liabilities of this segment as held for sale and as discontinued operations and have reclassified the prior year balances to reflect this strategic shift.

Basalt America has an exclusive license with Global Energy Sciences (through an assignment by RAW Energy Materials Corp. (“RAW”) for the exclusive production and sales of certain trademarked concrete reinforcement products (“RAW License Agreement”). In October 2018, Basalt America and affiliates of Global Energy Sciences entered litigation over various contractual disputes. This license agreement was terminated on January 29, 2019. The Company does not feel the cancellation will have a material effect on its new direction. The Company is pursuing litigation against RAW in a countersuit, attempting to recover amounts paid for license fees and payments for machinery, raw materials and inventory. While litigation is ongoing, the Company will continue to pursue the basalt fiber reinforcement business through the production of its own proprietary basalt fiber reinforcement products through its wholly-owned subsidiary, Basanite Industries. The Company has equipped itself with new personnel, new and different equipment, new proprietary resin matrices and products; all outside of any relationship or knowledge associated with the License, to establish its successful market entry through its wholly owned subsidiary Basanite Industries, LLC.

As of December 31, 2018, as a result of the failure to amicably settle its disagreements with RAW, the Company has written off or impaired the following amounts: \$1,200,000 in deposits paid towards machinery and equipment that were never received; \$60,000 for deposits on materials that have not been received; \$395,742 in net machinery and equipment as the Company determined the machinery and equipment purchased and received was in poor condition and could not manufacture and produce the rebar in accordance with Company and industry standards; and inventory obsolescence of \$240,121 as the inventory received and paid for in the initial purchase from RAW was in poor condition and unable to be sold.

Chronology

Historically, Basanite owned and operated products aimed at monetizing consumer influence through social, local and mobile marketing. The Company endeavored to apply its products to various businesses it entered from 2014 to 2016, including the manufacture and retail sales of electric bicycles and related products, and the sale and distribution of lifestyle brand products, including apparel. Brief descriptions of the businesses the Company engaged in are included below:

On July 18, 2014, Basanite acquired a 19.4% stake in Prodeco Technologies, LLC, a USA-based researcher, developer, marketer, and manufacturer of quality electric bicycles and entered the business of selling light electric vehicles and related products through its wholly-owned subsidiary, HLM Paymeon, Inc. In September 2014, HLM Paymeon began selling ProdecoTech electric bicycles online under a non-exclusive dealer agreement.

In October 2015, HLM Paymeon launched a retail store located in Fort Lauderdale, Florida to sell ProdecoTech and other electric bicycles, as well as other alternative transportation products (such as “hoverboards”) and related products and accessories at our retail location. Effective November 18, 2016, the Company assigned all of its interests in Prodeco Technologies, LLC, held by Ebike, LLC and A Better Bike, LLC to Tavone Family Holdings, LLC in consideration of a total cash payment of \$30,000 pursuant to an Assignment and Assumption Agreement dated November 18, 2016. The Company owned its Prodeco Technologies LLC interests through its 100% ownership of Ebike, LLC and A Better Bike, LLC. The Company sold its interests as part of its changing focus. The Company discontinued its light electric vehicles business and shifted its primary focus to its Basalt America business.

In March 2016, the Company formed Paymeon Brands, Inc to develop, market, manage and monetize lifestyle brands and products. It was the Company’s intention to acquire exclusive licensing rights to brands that were expandable to additional product lines. In addition, Paymeon Brands sought to develop or acquire its own products, which were not yet known “brands”, but that it believed were in substantial growth markets and could become “lifestyle” oriented brands.

On December 15, 2016, a third-party driver drove his car through the company’s retail storefront located at 2599 North Federal Highway, Fort Lauderdale, Florida 33305. The accident caused severe damage to the building. The city of Fort Lauderdale declared the building an unsafe structure, and the Company had to vacate the premises and as a result, the lease terminated. This incident severely impacted our ability to sell to and service our customers. The damaged storefront eliminated sales at the location and effectively terminated the business. The Company is pursuing a claim for the damages sustained for lost sales and the writing off of the leasehold improvements at the location. The company is presently in suit for all damages suffered. The court has ordered that a mediation take place no later than April 7, 2019. The case is set for a jury trial and is set on the three-week trial docket beginning June 10, 2019.

While the Company is optimistic of a recovery, there can be no assurances as to the result of the suit.

In February 2017, we acquired 100% of the membership interests of Basalt America. Basalt America 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. The RAW License Agreement was terminated on January 29, 2019. The Company does not feel that the cancellation will materially affect the Company and its new direction. The Company is pursuing litigation against RAW in a countersuit, attempting to recover amounts paid under the agreement.

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

On February 12, 2019, as a result of the termination of the RAW License Agreement, the Company agreed to settle with the non-controlling investors in Basalt America Territory 1, LLC to unwind this investment. In the settlement, the Company agreed to issue 2,010,000 restricted common shares at a value representing the original investment of \$502,500 (\$0.25 per share). The non-controlling investors were issued these shares on March 21, 2019 and the Company will take control of the previous 44.7% of Basalt America Territory 1, LLC formerly representing the non-controlling interest as of December 31, 2018 in the accompanying consolidated financial statements.

As mentioned above, the Company and affiliates of Global Energy Sciences and RAW Materials Corp entered litigation during October 2018.

In July 2018, the Company formed Basanite Industries, LLC to continue its pursuit of the basalt fiber reinforcement business through the manufacture of its own proprietary products. Basanite Industries, LLC is the main operating business of the Company today.

Organization

Basanite, Inc., a Nevada corporation holds a wholly owned interest in Basanite Industries, LLC (a Delaware limited liability company), Basalt America, LLC (a Florida limited liability company), HLM Paymeon, Inc. (a Florida corporation), and Paymeon Brands, Inc., (a Florida corporation). Beginning in the third quarter of 2018, the Company began conducting business almost exclusively through its Basanite Industries subsidiary. There is currently a limited public market for our common stock which is quoted on the OTC Markets under the symbol “BASA”.

As of December 31, 2018, our executive offices are located at 2688 NW 29th Terrace, Building 13, Oakland Park, Florida 33311. During March 2019 the Company moved its operations and corporate offices to 2041 NW 15th Avenue, Pompano Beach, Florida 33069. The terms of the lease of the new space as set forth in our “Corporate” section below. Our telephone number is 844-422-7258. Our main corporate website is <https://basaniteindustries.com>. Information that appears on any of our websites is not part of this report.

Competition

The market for the manufacture and sale of construction related products is one of the largest markets in the world. Basalt fiber concrete reinforcement products are sold as alternatives to steel reinforcement products. Accordingly, our business competes with large, established steel companies that have large and established wholesale and retail distribution networks. Most of our competitors are large and have significantly greater financial, marketing and other resources than our company. We also compete with other manufacturers of products often marketed as “alternatives” to steel, including manufacturers of fiberglass, and other types of fiber products. Many of these players also have substantially greater resources than our company.

While we believe that our products are unique and create a new segment within the concrete reinforcement industry, we still expect to compete with these large companies, both inside and outside of the United States, as they aggressively market their existing products, as well as any new products they may be developing that are competitive to ours.

Intellectual Property

The process of manufacturing basalt fiber reinforcement products for the construction industry often involves proprietary formulations of chemicals, as well as proprietary processes. The Company intends to aggressively pursue protection of any intellectual property it develops, as well as any intellectual property it already owns or to which it has rights.

The Company owns the term social income® as a registered trademark of PayMeOn. Additionally, we have applied for registration of various trademarks related to Basalt America. We currently have not applied for any other U.S. trademarks and, except for common law rights, we currently do not hold any other intellectual property rights on the products we have developed, though we are continually in the process of evaluating assets the Company owns or is developing that are proprietary and in need of intellectual property protection. In addition to our trademarks and trademark applications, we have secured various domain names related to our business.

Governmental Regulation

Products previously sold by Basalt America and those that will be sold by Basanite Industries are subject to various approvals and certifications from various private and public entities at both the state and federal levels such as the Department of Transportation and the US Army Corps of Engineers. Such approvals and certifications are based on numerous, often changing standards and there can be no assurance that our products will receive or retain necessary approvals or certifications in the future.

Subsequent Events

Common Stock and Equity

On February 12, 2019, as a result of the termination of the RAW License Agreement, the Company agreed to settle with the non-controlling investors in Basalt America Territory 1, LLC to unwind this investment. In the settlement, the Company agreed to issue 2,010,000 restricted common shares at a value representing the original investment of \$502,500 (\$0.25 per share). The non-controlling investors were issued these shares on March 21, 2019 and the Company will take control of the previous 44.7% of Basalt America Territory 1, LLC formerly representing the non-controlling interest as of December 31, 2018 in the accompanying consolidated financial statements.

On February 14, 2019, the Company received a \$100,000 investment from a related party. In consideration for the investment, the Company issued 2,000,000 restricted common shares at a price of \$0.05 per share and cash warrants to purchase an additional 2,000,000 restricted common shares with a strike price of \$0.075 per share.

On February 25, 2019, the Company received a \$100,000 investment from an accredited investor. In consideration for the investment, the Company issued 2,000,000 restricted common shares at a price of \$0.05 per share and cash warrants to purchase an additional 2,000,000 restricted common shares with a strike price of \$0.075 per share.

On February 27, 2019, the Company received a \$50,000 investment from one of the Company's directors, Michael V. Barbera. In consideration for the investment, the Company issued 1,000,000 restricted common shares for a price of \$0.05 per share and cash warrants to purchase an additional 1,000,000 restricted common shares with a strike price of \$0.075 per share.

On February 28, 2019, the Company received a \$100,000 investment from an accredited investor. In consideration for the investment, the Company issued 1,000,000 restricted common shares at a price of \$0.05 per share and cash warrants to purchase an additional 1,000,000 restricted common shares with a strike price of \$0.075 per share.

On March 4, 2019, the Company issued 5,000,000 five-year warrants, to consultant, Richard Krolewski. The warrants have a strike price of \$0.1235 per share. The Company has calculated a value of \$594,692 using the Black-Scholes valuation model and will recognize this cost over a period of five years. The Company intends to name Mr. Krolewski Chief Executive Officer in April 2019.

On March 11, 2019, the Company received a total of \$100,000 investment from two accredited investors. In consideration for the investment, the Company issued 2,000,000 restricted common shares, collectively, at a price of \$0.05 per share and cash warrants to purchase an additional 2,000,000 restricted common shares with a strike price of \$0.075 per share.

On March 14, 2019, the Company received a \$100,000 investment from an accredited investor. In consideration for the investment, the Company issued 2,000,000 restricted common shares at a price of \$0.05 per share and cash warrants to purchase an additional 2,000,000 restricted common shares with a strike price of \$0.075 per share.

On March 14, 2019, noteholders including the Company's former chairman and chief executive officer converted their convertible notes payable - related parties with a principal balance of \$378,000. The noteholders converted all principal and accrued interest under these notes in the amount of \$509,178 (which includes interest accrued through February 26, 2019) in exchange for 1,700,985 restricted common shares of the Company.

On March 15, 2019, the Company received a total of \$100,000 investment from one of the Company's Directors, Paul M. Sallarulo. In consideration for the investment, the Company issued 2,000,000 restricted common shares at a price of \$0.05 per share and cash warrants to purchase an additional 2,000,000 restricted common shares with a strike price of \$0.075 per share.

On March 15, 2019, the Company received a total of \$25,000 investment from Dave Anderson, Executive Vice President and Chief Operating Officer. In consideration for the investment, the Company issued 500,000 restricted common shares at a price of \$0.05 per share and cash warrants to purchase an additional 500,000 restricted common shares with a strike price of \$0.075 per share.

On March 22, 2019, the Company received a total of \$100,000 investment from two accredited investors. In consideration for the investment, the Company will issue 2,000,000 restricted common shares, collectively, at a price of \$0.05 per share and cash warrants to purchase an additional 2,000,000 restricted common shares with a strike price of \$0.075 per share. As of this report date the shares have not been issued.

Corporate

On January 24, 2019, Vincent L. Celentano submitted notice of his resignation as a member of the Board of Directors of the Company, effective immediately. Mr. Celentano was not a member of any committee of Board. Mr. Celentano's resignation was not as a result of any disagreement with the Company, the Board, or the Company's independent auditor. As a result of this resignation, all notes payable and convertible notes payable from Vincent L. Celentano and his related entities will no longer be considered related party debt effective January 24, 2019.

On January 31, 2019, the Company, through its wholly-owned subsidiary Basanite Industries, LLC, entered into a Commercial Lease Agreement with Camton, LLC, a Florida limited liability company pursuant to which the Company's subsidiary has agreed to lease approximately 25,470 square feet of office and manufacturing space at 2041 NW 15th Avenue, Pompano Beach, Florida 33069. The commencement date of the lease is April 1, 2019. The Company intends to move its corporate headquarters to the premises at such time. The term of the lease is five years. The Company's subsidiary's base rent obligation is approximately \$23,595 per month during each of the first two years of the lease and increases approximately three percent annually for each of the three years on the remaining term of the lease. The aggregate base rent payments for the five-year term of the lease are \$1,176,349. The Company's subsidiary has one option to renew for an additional five-year term, which must be exercised by written notice at least one hundred and twenty days prior to the end of the term.

The Company and Dave Anderson entered into an employment agreement dated February 1, 2019. Pursuant to the employment agreement, the Company agrees to employ Dave Anderson as the Executive Vice President and Chief Operating Officer. The term of the employment agreement is for a period of three years and a base salary of \$190,000 annually. The Company will also pay \$15,000 in relocation costs to Dave Anderson as part of this agreement. Dave Anderson is also entitled to receive equity-based compensation annually during his employment period as described in the employment agreement.

As provided in an addendum to this employment agreement, Dave Anderson has agreed to remain as the Interim Chief Executive Officer and Interim Principal Accounting Officer until a suitable replacement can be found. Once that occurs, Dave Anderson will become the Executive Vice President and Chief Operating Officer. There will be no additional compensation to Dave Anderson for these services.

On February 11, 2019, Michael V. Barbara was appointed as a member of the Board of Directors of Basanite, Inc. Mr. Barbera has not been appointed to any committees of the Board of Directors as of the date of this filing.

On February 12, 2019, as a result of the termination of the RAW License Agreement, the Company agreed to settle with the non-controlling investors in Basalt America Territory 1, LLC to unwind this investment. In the settlement, the Company agreed to issue 2,010,000 restricted common shares at a value representing the original investment of \$502,500 (\$0.25 per share). The non-controlling investors were issued these shares on March 21, 2019 and the Company will take control of the previous 44.7% of Basalt America Territory 1, LLC formerly representing the non-controlling interest as of December 31, 2018 in the accompanying consolidated financial statements.

Notes Payable

On January 15, 2019, EAC granted the Company an extension to the due date of its demand note in the amount of \$50,000 that was converted from the line of credit, established on April 13, 2018, until March 15, 2019, and then again on March 7, 2019 until May 1, 2019.

On February 8, 2019, the Company issued two 90-day promissory notes, one to an accredited investor in the amount of \$80,000, and a second to a Related Party in the amount of \$80,000. The notes have a maturity date of May 10, 2019 and an interest rate of 15% per annum.

Related Party Transactions

On January 18, 2019, the Company entered into secured convertible promissory note agreements with a related party in the amount of \$50,000. The note has a term of 180 days bearing an interest rate of 15% per annum. At the Company's sole option, the note could be converted into shares of the Company's common stock for a conversion price of \$0.05 per share. If the notes are converted, the Related Party is entitled to receive 5-year warrants with a strike price of \$0.075 per share. The warrants would equal the number of shares received in the conversion of the Secured Convertible Promissory Note.

On February 8, 2019, the Company issued a 90-day promissory note to a Related Party investor in the amount of \$80,000. The note has a maturity date of May 10, 2019 and an interest rate of 15% per annum.

On February 14, 2019, the Company received a \$100,000 investment from a related party. In consideration for the investment, the Company issued 2,000,000 restricted common shares at a price of \$0.05 per share and cash warrants to purchase an additional 2,000,000 restricted common shares with a strike price of \$0.075 per share.

On February 27, 2019, the Company received a \$50,000 investment from one of the Company's directors, Michael V. Barbera. In consideration for the investment, the Company issued 1,000,000 restricted common shares for a price of \$0.05 per share and cash warrants to purchase an additional 1,000,000 restricted common shares with a strike price of \$0.075 per share.

On March 14, 2019, noteholders including the Company's former chairman and chief executive officer converted their convertible notes payable - related parties with a principal balance of \$378,000. The noteholders converted all principal and accrued interest under these notes in the amount of \$509,178 (which includes interest accrued through February 26, 2019) in exchange for 1,700,985 restricted common shares of the Company.

On March 15, 2019, the Company received a total of \$100,000 investment from one of the Company's Directors, Paul M. Sallarulo. In consideration for the investment, the Company issued 2,000,000 restricted common shares at a price of \$0.05 per share and cash warrants to purchase an additional 2,000,000 restricted common shares with a strike price of \$0.075 per share.

On March 15, 2019, the Company received a total of \$25,000 investment from Dave Anderson, Executive Vice President and Chief Operating Officer. In consideration for the investment, the Company issued 500,000 restricted common shares at a price of \$0.05 per share and cash warrants to purchase an additional 500,000 restricted common shares with a strike price of \$0.075 per share.

Secured Convertible Promissory Note

On January 18, 2019, the Company entered into secured convertible promissory note agreements with two accredited investors in the amount of \$70,000 (\$50,000 of which is to a related party). The notes have a term of 180 days bearing an interest rate of 15% per annum. At the Company's sole option, the notes could be converted into shares of the Company's common stock for a conversion price of \$0.05 per share. If the notes are converted, the investors are entitled to receive 5-year warrants with a strike price of \$0.075 per share. The warrants would equal the number of shares received in the conversion of the Secured Convertible Promissory Note.

Employees

At December 31, 2018, we had four full time employees, all of which are employed for the continuing operations of the Company. None of our employees are represented by a labor union, nor governed by any collective bargaining agreements. We consider relations with our labor force as satisfactory.

The Company and Dave Anderson entered into an employment agreement dated February 1, 2019. Pursuant to the employment agreement, the Company agrees to employ Dave Anderson as the Executive Vice President and Chief Operating Officer. See Part III, Item 11 Executive Compensation of this report for more details.

Item 1A.

Risk Factors.

Risk Factors

Investing in our common stock involves a high degree of risk. You should carefully consider the following risk factors 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. If any of the events discussed in the risk factors below occur, our business, consolidated financial condition, results of operations or prospects could be materially and adversely affected. In such case, the value and marketability of the common stock could decline.

Risks Related to Our Business and Industry

Our independent auditors have raised substantial doubt about our ability to continue as a going concern.

As an early stage company, we have not yet generated significant revenues. We have incurred operating losses since our inception and will continue to incur net losses until we can produce sufficient revenues to cover our costs. Our independent auditors have included in their audit report an explanatory paragraph that states that our net loss and working capital deficiency raises substantial doubt about our ability to continue as a going concern.

We have a limited operating history, have incurred net losses in the past and expect to incur net losses in the future.

We have a limited operating history and have not recorded a profit since inception. As a result of this, and the uncertainty of the market in which we operate, we cannot reliably forecast our future results of operations. We expect to increase our operating expenses in the future as a result of developing, refining and implementing a sales strategy. There is no guarantee we will be profitable in the future. In addition, we expect our operating expenses to increase in the future as we expand our operations. If our operating expenses exceed our expectations, our financial performance could be adversely affected. If our revenue does not grow to offset these increased expenses, we may not be profitable in any future period.

We have a short operating history and a new business model in an emerging and rapidly evolving market. This makes it difficult to evaluate our future prospects and increases the risk of your investment.

We have very little operating history for you to evaluate in assessing our future prospects. You must consider our business and prospects in light of the risks and difficulties we will encounter as an early-stage company in a new and rapidly evolving market. We may not be able to successfully address these risks and difficulties, which could materially harm our business and operating results. In addition, we do not know if our current business model will operate effectively during the current economic downturn. Furthermore, we are unable to predict the likely duration and severity of the adverse economic conditions in the U.S. and other countries, but the longer the duration the greater risks we face in operating our business. There can be no assurance, therefore, that current economic conditions or worsening economic conditions, or a prolonged or recurring recession, will not have a significant adverse impact on our operating and financial results.

Our operating results may fluctuate.

Our operating results may fluctuate as a result of a number of factors, many of which are outside of our control. The following factors may affect our operating results:

- Our ability to compete effectively.
- Our ability to continue to attract clients.
- The amount and timing of operating costs and capital expenditures related to the maintenance and expansion of our business, operations and infrastructure.
- General economic conditions and those economic conditions specific to our industry.
- Our ability to attract, motivate and retain top-quality employees.

We compete with large, established companies

Our Basanite products for reinforcement of concrete compete as replacements for traditional steel industry products. The steel industry is very mature and companies are often entrenched with our potential customers. There is no guarantee that we will be able to convince customers that our products are superior to steel products.

Our products may never gain market acceptance

Our products are new and many of our potential customers have little to no experience with implementation of construction projects that incorporate products like ours. In order for our Company to be successful, we have to be able to promote and achieve market acceptance of our products. There is no guarantee that the market will accept our products. Lack of acceptance of our products could materially harm our business.

We may be unable to adapt to changing production dynamics in our industry and our products may fail to reach performance levels necessary to ensure sales

Manufacture of reinforcement products made of basalt fibers is a new concept. While we believe we are working towards processes to ensure consistent production runs of our products, we may experience faults in our production lines and processes, which could cause the production of inferior quality products relative to more commonly used products such as those made of steel. Furthermore, because we operate in a new industry, machinery and manufacturing processes are continually changing and our staff may experience difficulty adapting to these changes. Inability to adapt to the rapidly changing production dynamics of the industry may result in the production of inferior products not acceptable to customers and could materially harm our business.

Our sales process sometimes has long lead times and have announcement risk

Often our sales will be related to project work to be done in the future, or they may take the form of “structured” sales, such as joint ventures or other structures. Due to the nature of the sales and the current size of the Company, the sales may rise to the level deemed to be “material” and require us to disclose them. Disclosures we may make about sales or other business relationships to be realized in the future may not reflect actual outcomes. While we believe we make appropriate disclaimers when making such announcements, investors may make decisions based on their beliefs about such sales which may later not materialize, creating litigation risk for the Company.

Regulatory Risks

Our products often require certain approvals and certifications to satisfy regulatory requirements for use as concrete reinforcements and for other uses. There is no guarantee that we will be able to maintain or secure such approvals and certifications in the future. Furthermore, we will likely need to depend on third party groups such as universities, industry groups and other certifying bodies to obtain approvals and certifications. There is no guarantee that those groups will work with us, or that we will be able to access them and their services in a timely fashion. Inability to secure approvals and certifications could materially harm our ability to generate revenue.

Limited Availability of raw materials

We depend on various suppliers for raw materials to manufacture our products from various different suppliers located in the United States and abroad. There is no guarantee that our suppliers will be able to provide us with sufficient supply of raw materials for us to maintain production levels necessary to satisfy customers.

Changes in the global economic environment may lead to declines in the production levels of our customers

We sell primarily to the construction industry. The construction industry is cyclical and can exhibit a great deal of sensitivity to general economic conditions. Low demand from the construction industry could adversely impact our financial position, results of operations and cash flows.

Changes to accepted trade practices, trade agreements, or imposition of tariffs may adversely impact supply and pricing of certain raw materials

Political events, such as the imposition of tariffs or the dissolution of trade agreements may negatively impact many supply chain factors related to our business. Such events could materially impact supply and pricing of critically necessary raw materials for manufacture of our products. In extreme cases, we may not be able to source raw materials necessary for the production of our products, which could threaten our ability to continue doing business. Pricing impacts of such events could also materially affect our profit margins and our ability to compete with alternative products in the industry.

We may be adversely impacted by volatility in prices for raw materials

Depending on our customer demand, we may be faced with having to purchase raw materials at prices that are above the then current market price or in greater volumes than required. Additionally, other factors may force the prices our customers pay for composite materials down, which could negatively affect our profit margins.

General Business Risks

We need additional capital to fund our operations, which, if obtained, could result in substantial dilution or significant debt service obligations. We may not be able to obtain additional capital on commercially reasonable terms, which could adversely affect our liquidity and financial position.

We will require additional capital to fund the anticipated expansion of our business and to pursue targeted revenue opportunities. We cannot assure you that we will be able to raise additional capital. If we are able to raise additional capital, we do not know what the terms of any such capital raising would be. In addition, any future sale of our equity securities would dilute the ownership and control of your shares and could be at prices substantially below prices at which our shares currently trade. Our inability to raise capital could require us to significantly curtail or terminate our operations. We may seek to increase our cash reserves through the sale of additional equity or debt securities. The sale of convertible debt securities or additional equity securities could result in additional and potentially substantial dilution to our shareholders. The incurrence of indebtedness would result in increased debt service obligations and could result in operating and financing covenants that would restrict our operations and liquidity. In addition, our ability to obtain additional capital on acceptable terms is subject to a variety of uncertainties. We cannot assure you that financing will be available in amounts or on terms acceptable to us, if at all. Any failure to raise additional funds on favorable terms could have a material adverse effect on our liquidity and financial condition.

We cannot assure you that we will be able to develop the infrastructure necessary to achieve the potential sales growth.

Achieving revenue growth will require that we develop additional infrastructure in sales, technical and client support functions. We cannot assure you that we can develop this infrastructure or will have the capital to do so. We will continue to design plans to establish growth, adding sales and sales support resources as capital permits, but at this time these plans are untested. If we are unable to use any of our current marketing initiatives or the cost of such initiatives were to significantly increase or such initiatives or its efforts to satisfy existing clients are not successful, we may not be able to attract new clients or retain existing clients on a cost-effective basis and, as a result, our revenue and results of operations would be affected adversely.

If we fail to manage our anticipated growth, our business and operating results could be harmed.

If we do not effectively manage our anticipated growth, the quality of our products and services could suffer, which could negatively affect our brand and operating results. To effectively manage our potential growth, we will need to improve our operational, financial and management controls and our reporting systems and procedures. These systems enhancements and improvements may require significant capital expenditures and allocation of valuable management resources. If the improvements are not implemented successfully, our ability to manage our growth will be impaired and we may have to make significant additional expenditures to address these issues, which could harm our financial position.

Our relationships with our channel partners may be terminated or may not continue to be beneficial in generating new clients, which could adversely affect our ability to increase our client base.

We maintain a network of active channel partners which refer clients to us within different business verticals. If we are unable to maintain contractual relationships with existing channel partners or establish new contractual relationships with potential channel partners, we may experience delays and increased costs in adding clients, which could have a material adverse effect on us. The number of clients we are able to add through these marketing relationships is dependent on the marketing efforts of our partners over which we exercise very little control.

Competition for employees in our industry is intense, and we may not be able to attract and retain the highly skilled employees whom we need to support our business.

Competition for highly skilled technical, marketing and management personnel is intense and we continue to face difficulty identifying and hiring qualified personnel in certain areas of our business. We may not be able to hire and retain such personnel at compensation levels consistent with existing compensation structure. Many of the companies with which we compete for experienced employees have greater resources than we have and may be able to offer more attractive terms of employment. In particular, candidates making employment decisions, particularly in high-technology industries, often consider the value of any equity they may receive in connection with their employment. As a result, any significant volatility in the price of our stock may adversely affect our ability to attract or retain highly skilled technical and marketing personnel.

In addition, we invest significant time and expense in training employees, which increases their value to competitors who may seek to recruit them. If we fail to retain our employees, we could incur significant expenses in hiring and training their replacements and the quality of our services and our ability to serve our clients could diminish, resulting in a material adverse effect on our business.

We may be involved in legal proceedings that may result in adverse outcomes.

We have been and may be again in the future involved in claims, suits, government investigations, and proceedings arising in the ordinary course of our business, including actions with respect to intellectual property claims, privacy, data protection or law enforcement matters, tax matters, labor and employment claims, commercial claims, as well as stockholder derivative actions, class action lawsuits, and other matters. Such claims, suits, government investigations, and proceedings are inherently uncertain and their results cannot be predicted with certainty. Regardless of their outcomes, such legal proceedings can have an adverse impact on us because of legal costs, diversion of management and other personnel, and other factors. In addition, it is possible that a resolution of one or more such proceedings could result in liability, penalties, or sanctions, as well as judgments, consent decrees, or orders preventing us from offering certain features, functionalities, products, or services, or requiring a change in our business practices, products or technologies, which could in the future materially and adversely affect our business, operating results, and financial condition.

We may in the future be subject to intellectual property rights claims, which are costly to defend, could require us to pay damages and could limit our ability to use certain technologies in the future.

Companies in the internet, technology and media industries own large numbers of patents, copyrights, trademarks and trade secrets and frequently enter into litigation based on allegations of infringement or other violations of intellectual property rights. As we face increasing competition, the possibility of intellectual property rights claims against us grows. Our technologies may not be able to withstand any third-party claims or rights against their use. Any intellectual property claims, with or without merit, could be time-consuming, expensive to litigate or settle and could divert management resources and attention.

With respect to any intellectual property rights claim, we may have to pay damages or stop using technology found to be in violation of a third party's rights. We may have to seek a license for the technology, which may not be available on reasonable terms and may significantly increase our operating expenses. We have not fully reviewed and assessed the potential intellectual claims centered on our latest asset purchases, mergers, or acquisitions to evaluate any technology licenses required. The technology also may not be available for license to us at all. As a result, we may also be required to develop alternative non-infringing technology, which could require significant effort and expense. If we cannot license or develop technology for the infringing aspects of our business, we may be forced to limit our product and service offerings and may be unable to compete effectively. Any of these results could harm our brand and operating results.

We may also face intellectual property claims regarding processes or products from the steel industry, which we believe also owns large numbers of patents. Such claims could impede our sales, cause us significant legal expense and materially harm our business.

Our independent directors and interim executive officer have limited experience in the management of public companies which poses a risk for us from a corporate governance perspective.

Our directors and interim executive officer are inexperienced with respect to corporate governance of public companies. The board is often required to make interested party decisions, such as the approval of related party transactions, compensation levels, and oversight of our accounting function. Our directors and former directors also exercise substantial control over all matters requiring stockholder approval, including the nomination of directors and the approval of significant corporate transactions. We have not implemented various corporate governance measures, the absence of which may cause stockholders to have more limited protections against transactions implemented by our board of directors, conflicts of interest and similar matters. Stockholders should bear in mind our current lack of corporate governance measures in formulating their investment decisions.

We rely heavily on the experience of our interim chief executive officer.

Our interim chief executive officer, Dave Anderson, joined the Company in August 2018. As of December 31, 2018, Mr. Anderson is the only member of our management team with related industry experience and we rely heavily on his past experience with respect to business planning, plant setup, manufacturing and sales development. Loss of Mr. Anderson could materially harm our business prospects. We do not maintain a key man life insurance policy on Mr. Anderson.

Failure to retain and attract qualified personnel could harm our business.

Our success depends on our ability to attract, train and retain qualified personnel. Competition for qualified personnel is intense and we may not be able to hire sufficient personnel to support the anticipated growth of our business. If we fail to attract and retain qualified personnel, our business will suffer. Additionally, companies whose Employees accept positions with competitors often claim that such competitors have engaged in unfair hiring practices. We may receive such claims in the future as we seek to hire qualified Employees. We could incur substantial costs in defending against any such claims.

Risks Related to Our Common Stock

Because the market for our common stock is limited, persons who purchase our common stock may not be able to resell their shares at or above the purchase price paid for them.

Our common stock trades on the OTC Markets which is not a liquid market. There is currently only a limited public market for our common stock. We cannot assure you that an active public market for our common stock will develop or be sustained in the future. If an active market for our common stock does not develop or is not sustained, the price may continue to decline.

Because we are subject to the “penny stock” rules, brokers cannot generally solicit the purchase of our common stock which adversely affects its liquidity and market price.

The SEC has adopted regulations which generally define “penny stock” to be an equity security that has a market price of less than \$5.00 per share, subject to specific exemptions. The market price of our common stock on the Bulletin Board has been substantially less than \$5.00 per share and therefore we are currently considered a “penny stock” according to SEC rules. This designation requires any broker-dealer selling these securities to disclose certain information concerning the transaction, obtain a written agreement from the purchaser and determine that the purchaser is reasonably suitable to purchase the securities.

Due to factors beyond our control, our stock price may be volatile.

Any of the following factors could affect the market price of our common stock:

- Our failure to increase revenue in each succeeding quarter;
- Our failure to achieve and maintain profitability;
- Our failure to meet our revenue and earnings guidance;
- The loss of distribution relationships;
- The sale of a large amount of common stock by our shareholders;
- Our announcement of a pending or completed acquisition or our failure to complete a proposed acquisition;
- Adverse court ruling or regulatory action against the Company, our directors, or our officers;
- Our failure to meet financial analysts' performance expectations;
- Changes in earnings estimates and recommendations by financial analysts;
- Changes in market valuations of similar companies;
- Short selling activities;
- Our announcement of a change in the direction of our business;
- Our inability to manage our international operations;
- Actual or anticipated variations in our quarterly or in our forecasted results of operations; or

Announcements by us, or our competitors, of significant contracts, acquisitions, commercial relationships, joint ventures or capital commitments.

In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has often been instituted. A securities class action suit against us could result in substantial costs and divert our management's time and attention, which would otherwise be used to benefit our business.

Because we may not be able to attract the attention of major brokerage firms, it could have a material impact upon the price of our common stock.

It is not likely that securities analysts of major brokerage firms will provide research coverage for our common stock since the firm itself cannot recommend the purchase of our common stock under the penny stock rules referenced in an earlier risk factor. The absence of such coverage limits the likelihood that an active market will develop for our common stock. It may also make it more difficult for us to attract new investors at times when we acquire additional capital.

The conversion of outstanding secured and unsecured convertible promissory notes will result in dilution to existing stockholders and could negatively affect the market price of our common stock.

At March 27, 2019, we had an outstanding 10% unsecured promissory note convertible at the option of the holder or 15% secured promissory notes convertible at the option of the Company in the aggregate principal amount of \$363,524 convertible at prices ranging from \$0.05 to \$0.35 per share. If all the outstanding notes are converted, our issued and outstanding shares would increase. In the event that a market for our common stock develops, to the extent that holders of our notes convert such securities, our existing shareholders will experience dilution to their ownership interest in our company. In addition, to the extent that holders of convertible securities convert such securities and then sell the underlying shares of common stock in the open market, our common stock price may decrease due to the additional shares in the market.

Our principal shareholders and their affiliates beneficially own and control approximately 60% of our outstanding common stock and as large shareholders may be able to control voting issues and actions that may not be beneficial or desired by minority shareholders.

As of March 27, 2019, our principal shareholders, which includes our interim chief executive and financial officer and certain of our directors, beneficially own approximately 60% of the issued and outstanding common stock and as such could exercise substantial influence and potentially control the election of all directors, and dissolve, merge or sell our assets or otherwise direct our affairs. Our principal shareholders, which includes our interim chief executive and financial officer and certain of our directors, also own secured and unsecured promissory notes and warrants that are convertible at their option into a material number of shares of our common stock. This concentration of ownership may have the effect of delaying, deferring or preventing a change in control; impede a merger, consolidation, takeover or other business combination involving the Company, which, in turn, could depress the market price of our common stock.

Certain accredited investors control large blocks of restricted common stock. Sale of large blocks of common stock could materially impact our stock price.

Historically, we have raised funds from accredited investors through the sale of restricted common stock in the Company. Generally, common stock sold privately to accredited investors has certain resale restrictions under the securities laws that include elements of minimum holding periods, certain other requirements with respect to financial filings of the Company and other requirements. When these requirements are met, holders of the restricted common stock are able to remove resale restrictions and sell freely in the open market. As our common stock has a limited market for resale, substantial additional supply of stock caused by previously restricted stock coming into the market for resale could have a material, negative impact on our stock price.

The issuance of preferred stock could change control of the company.

Our articles of incorporation authorize the Board of Directors, without approval of the shareholders, to cause shares of preferred stock to be issued in one or more series, with the numbers of shares of each series to be determined by the Board of Directors. Our articles of incorporation further authorize the Board of Directors to fix and determine the powers, designations, preferences and relative, participating, optional or other rights (including, without limitation, voting powers, preferential rights to receive dividends or assets upon liquidation, rights of conversion or exchange into common stock or preferred stock of any series, redemption provisions and sinking fund provisions) between series and between the preferred stock or any series thereof and the common stock, and the qualifications, limitations or restrictions of such rights. In the event of issuance, preferred stock could be used, under certain circumstances, as a method of discouraging, delaying or preventing a change of control of our company. Although we have no present plans to issue additional series or shares of preferred stock, we can give no assurance that we will not do so in the future.

Our inability to remain current on our required securities filings may impact liquidity for certain shareholders and our ability to raise funds

We rely on third parties to assist us with the preparation of our public filings. Our internal resources may not be sufficient to assist third parties with providing information they need with sufficient efficiency to complete our filings on time. Failure to remain current on certain public filings may limit the ability of certain shareholders to avail themselves of certain safe harbors when attempting to sell certain of our shares. In addition, our inability to present current financial information may impact our ability to raise additional funds.

Item 1B. Unresolved Staff Comments.

None.

**Item 2.
Properties.**

On March 31, 2017, the Company entered into a lease agreement for manufacturing and general office facilities located at 2688 NW 29th Terrace, Building 13, Oakland Park, Fl. 33311 for Basalt America. The facility is for approximately 12,921 square feet. The lease is for six separate six-month terms. The Company has elected to exercise its right to terminate the lease at the end of the term ending March 31, 2019. The Company has provided the landlord with 60-days' notice prior to the end of the most recent six-month term. Future minimum lease payments as of December 31, 2018 are approximately \$11,520 per month during the first two months of 2019 of the lease and rise to approximately \$12,450 for the third month of 2019.

On January 31, 2019, the Company, through its wholly-owned subsidiary Basanite Industries, LLC, entered into a Commercial Lease Agreement with Camton, LLC, a Florida limited liability company pursuant to which the Company's subsidiary has agreed to lease approximately 25,470 square feet of office and manufacturing space at 2041 NW 15th Avenue, Pompano Beach, Florida 33069.

The commencement date of the lease is on or about February 1, 2019. The Company intends to move its corporate headquarters to the premises at such time. The term of the lease is for five years. The Company's subsidiary's base rent obligation is approximately \$23,595 per month during each of the first two years of the lease and increases approximately three percent annually for each of the three years of the remaining term of the lease. The aggregate base gross rent payments for the five-year term of the lease are \$1,467,692. The Company's subsidiary has one option to renew for an additional five-year term, which must be exercised by written notice at least one hundred and twenty days prior to the end of the term. The Company also has first right of refusal on adjacent space to this current location.

The lease contains customary default provisions allowing the Landlord to terminate the lease if the Company fails to remedy a breach of any of its obligations under the lease within specified time periods, or upon bankruptcy or insolvency of the Company. The lease also contains other customary provisions for real property leases of this type. The effective date of the lease is January 15, 2019, however the lease was not fully executed and delivered until January 31, 2019.

The Company has adopted ASU No. 2016-02, *Leases (Topic 842)*, as of January 1, 2019 and will account for the new lease in terms of the right of use assets and offsetting lease liability obligations for this new lease under this pronouncement. In accordance with ASC 842 - Leases, effective January 1, 2019, the Company will record additional net lease right of use assets and a lease liability at present value of approximately \$1.06 million, respectively, as of February 1, 2019. The Company is recording these at present value, in accordance with the standard, using a discount rate of 15% which is representative of the last borrowing rates for notes issued to a non-related party. The right of use asset will be composed of the sum of all lease payments plus any initial direct cost and will be straight line amortized over the life of the expected lease term. For the expected term of the lease the Company will use the initial term of the five-year lease. If the Company does elect to exercise its option to extend the lease for another five years, that election will be treated as a lease modification and the lease will be reviewed for remeasurement. This lease will be treated as an operating lease under the new standard.

The Company has chosen to implement this standard using the modified retrospective model approach with a cumulative-effect adjustment, which does not require the Company to adjust the comparative periods presented when transitioning to the new guidance on January 1, 2019. The Company has also elected to utilize the transition related practical expedients permitted by the new standard. The modified retrospective approach provides a method for recording existing leases at adoption and in comparative periods that approximates the results of a modified retrospective approach. Adoption of the new standard resulted in the recording of additional net lease assets and lease liabilities of approximately \$37,000 as of January 1, 2019. Any difference between the additional lease assets and lease liabilities, net of the deferred tax impact, will be recorded as an adjustment to retained earnings. The standard is not expected to materially impact our consolidated net earnings and had no impact on cash flows.

Item 3.

Legal Proceedings.

CalSTRS Litigation

On March 31, 2014, the Company received a "Notice of Default" letter from legal counsel representing the California State Teachers Retirement System ("CalSTRS") (the landlord for the Company's office space) alerting that the Company was in default of its lease for failure to pay monthly rent for the office space located at 2400 East Commercial Boulevard, Suite 612, Fort Lauderdale, FL 33304. The letter demanded immediate payment of \$41,937 for rent past due as of April 1, 2014. The landlord currently holds security deposits from the Company in the amount of \$31,407. The Company had indicated in writing its intention to cooperate with the landlord while trying to resolve the matter. On February 11, 2015, the landlord, through its attorneys, filed a motion for summary judgment. The motion asked for \$376,424 in unpaid rent, recovery of abated rents and tenant improvements and \$12,442 in attorney's costs incurred by the landlord and the Company has reserved the entire amount. 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 of the 17th Judicial Circuit in and for Broward County. As previously disclosed, the Company has accrued the full amount of rent and attorney costs in its audited financial statements. The Company intends to continue its efforts to work with the landlord to reach a mutually agreeable solution and is currently attempting to raise additional capital to address the default, as well its other outstanding obligations and working capital requirements.

HLM Paymeon Storefront damage

On December 15, 2016, a third-party driver drove his car through the company's retail storefront located at 2599 North Federal Highway, Fort Lauderdale, Florida 33305. The accident caused severe damage to the building. The city of Fort Lauderdale declared the building an unsafe structure, and the Company had to vacate the premises and as a result, the lease terminated. This incident severely impacted our ability to sell to and service our customers. The damaged storefront eliminated sales at the location and effectively terminated the business. The Company is pursuing a claim for the damages sustained for lost sales and the writing off of the leasehold improvements at the location. The company is presently in suit for all damages suffered. The court has ordered that a mediation take place no later than April 7, 2019. The case is set for a jury trial and is set on the three-week trial docket beginning June 10, 2019.

While the Company is optimistic of a recovery, there can be no assurances as to the result of the suit.

RAW Materials Litigation

On October 25, 2018, the Company was informed that RAW Materials (original party to the RAW License Agreement) filed an action for declaratory relief in Broward County, Florida, in the Seventeenth Judicial Circuit Court, titled Raw Energy Materials, Corp. v. Rockstar Acquisitions, LLC, Paymeon, Inc., and Basalt America, LLC, CASE NO.: CACE 18-020596. The nature of this case is a contractual dispute over an existing licensing agreement, and related sales of goods. The Company and all of the defendants in this case are contesting this case vigorously. While the parties have reached an initial agreement to cancel and invalidate the existing license agreement, the parties will continue to litigate damages arising from the dispute. RAW Materials has recently amended the case to add a count under the Florida consumer protection statute and the Company has requested an immediate dismissal, that motion to dismiss will be heard on March 27, 2019. Rockstar likewise anticipates bringing a counterclaim against RAW Materials and may also attempt to pursue a similar claim against RAW Materials principal, Don Smith. Notwithstanding the foregoing, the Company and all the defendants does intend to seek a favorable out of court settlement. Given the current state of the evidence it is impossible to estimate the potential value of RAW Materials claim; however, to date, little to no evidence has been produced to support the claim and the Company and all the defendants believes that its counterclaim will off-set any potential recovery by RAW Materials.

The Company, during the fiscal years 2017 and 2018, believes that it did comply with the license agreement, first amendment to the license agreement and the post-closing letter agreement (“the Agreements”) in all material respects and determined to continue to honor the language and acts as required under the Agreements throughout the remainder of 2018. The Board of Directors of the Company have met and have decided that the Company had acted in good faith and to appropriately honor the Agreements, despite RAW Materials and their affiliated entities not honoring their commitments under the Agreements. As part of complying with the Agreements, the Company properly accrued obligations related to the Agreements on its books, including continuing to accrue amounts due under the consulting agreements with RAW, LLC and Yellow Turtle Design, LLC as well as commissions on sales.

As of December 31, 2018, the Company’s Board of Directors and management have concluded that an amicable resolution or settlement of disputes between the parties will not be forthcoming as the lawsuit has been filed. As a result of the circumstances of the dispute as of the end of the year, the Company has decided to impair all assets related to all agreements and amendments with RAW Materials and its affiliates, and to cease all accruals of amounts owed under the consulting agreements with RAW, LLC and Yellow Turtle Design, LLC, as well as the cessation of commissions on sales of the Company. The Company is continuing to try to resolve this dispute with Raw Materials without going to trial, however it believes that it would prevail if this case does proceed to trial.

BCD Litigation

On November 1, 2018, the Company initiated a legal complaint in the county court of the 17th judicial circuit in and for Broward County, Florida against BC Dev. LLC f/k/a Banyan Cay Dev. LLC (“BCD”). The Company is suing BCD for failure to make payment due for a purchase order made by BCD for 75,000 feet of reinforcing bar and 11 rolls of basalt fiber mesh. The dollar amount of the claim is \$76,172, including Florida sales tax.

On December 10, 2018, the Company withdrew the complaint against BCD and will no longer pursue legal action to attempt to collect this debt. The Company believes that the ongoing efforts to collect the subject debt would cost significantly more than its value, and therefore has recognized this as a bad debt expense as of December 31, 2018.

To our knowledge we are not currently subject to any other legal proceedings.

Item 4. Mine Safety Disclosures.

None.

PART II

Item 5.

Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information

There is a limited public market for the shares of our common stock. Our stock has been thinly traded. There can be no assurance that a liquid market for our common stock will ever develop. Transfer of our common stock may also be restricted under the securities or blue-sky laws of various states and foreign jurisdictions. Consequently, investors may not be able to liquidate their investments and should be prepared to hold the common stock for an indefinite period of time. Our common stock is quoted on the OTC Markets under the symbol PAYM. The range of closing prices for our common stock, as reported on the OTC Markets during each quarter since March 31, 2017, was as reported below. These quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not represent actual transactions.

Quarter Ended	High	Low
December 31, 2018	\$ 0.170	\$ 0.075
September 30, 2018	\$ 0.208	\$ 0.10
June 30, 2018	\$ 0.39	\$ 0.13
March 31, 2018	\$ 0.60	\$ 0.38
December 31, 2017	\$ 0.67	\$ 0.22
September 30, 2017	\$ 0.38	\$ 0.20
June 30, 2017	\$ 0.66	\$ 0.20
March 31, 2017	\$ 0.63	\$ 0.24

On March 27, 2019, our common stock had a closing price of \$0.145.

Holders

As of March 27, 2019, there were approximately 216 security holders of record of our common stock.

Transfer Agent and Registrant

Our transfer agent is Empire Stock Transfer, Inc., located at 1859 Whitney Mesa Drive, Henderson, Nevada. Our transfer agent's telephone number is 702-818-5898.

Dividend Policy

We have not paid any cash dividends on our common stock and do not plan to pay any such dividends in the foreseeable future. We currently intend to use all available funds to develop our business. We can give no assurances that we will ever have excess funds available to pay dividends.

Recent Sales of Unregistered Securities

During the period covered by this report we sold securities described below (see "Liquidity and Capital Resources") without registration under the Securities Act of 1933, as amended, under the exemption from registration provided by Section 4(a)(2) of the Securities Act. The securities were issued with legend restricting their transferability without registration or applicable exemption and proceeds were used for working capital. We did not pay any finders fees or commission in connection with the sale of these securities.

On May 2, 2018, the Company secured a three-year extension of the convertible note in return for (1) a \$5,000 per month payment applicable to current interest and principal beginning on April 22, 2018, and (2) the issuance of 274,575 new, restricted common shares. The shares were issued on June 13, 2018. The Company has commenced making the \$5,000 per month payments but is not current as required by the extension. As a result of this extension, the modification to this debt instrument is reflected as a material modification in the amount of \$90,061 in the Company's consolidated statement of operations in the year ended December 31, 2018. Due to the fact that the Company is in default with regards to monthly payments, it has classified this note as a current liability. The Company is working with the noteholder, attempting to remedy this default.

On August 15, 2018, RVRM converted \$90,000 principal amount of notes outstanding for 1,200,000 restricted common shares of the Company's common stock (\$0.075 per share). Ronald J. LoRiccio, Sr., a member of our board of directors is the manager of RVRM.

On August 16, 2018, CAM Group of Florida, LLC converted \$200,000 principal amount of notes outstanding for 2,666,667 restricted common shares of the Company's common stock (\$0.075 per share). Frank Monti, Sr., a member of our board of directors is an officer of CAM Group of Florida, LLC. As part of this agreement, associated accrued interest at the time of conversion, in the amount of \$20,329 was forgiven by the noteholder.

On August 16, 2018, the Company appointed David Anderson its Interim Chief Executive Officer and Interim Principal Financial Officer. In conjunction with the appointment, the Company issued 1,000,000 warrants to purchase at a strike price of \$0.1235 per share. The warrants were immediately vested at time of issuance and have a five-year life. The Company valued these warrants at \$142,979 and this amount will be recognized over the six-month term of the contract.

On September 23, 2018, the Company further issued 1,500,000 to David Anderson, Interim Chief Executive Officer and Interim Principal Financial Officer for additional services provided. The five-year warrants had a strike price of \$0.1235. The Company valued these warrants at \$154,952 and will be recognized over the life of the warrants.

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

During the year ended December 31, 2018, the Company issued 17,754,966 restricted common shares for total proceeds of \$1,470,240 (\$0.05 to \$0.30 per share) to accredited investors. In addition, these accredited investors received five-year warrants to acquire 562,500 shares at \$0.40; 562,500 shares at \$0.60; 400,000 shares at \$0.50; 350,000 shares at \$0.15 per share and 8,000,000 shares at \$0.075.

During the year ended December 31, 2018, the Company issued 4,500,000 restricted common shares under consulting agreements.

Item 6. Selected Financial Data.

Not required for smaller reporting companies.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation.

You should read the following discussion and analysis of our financial condition and results of operations together with our consolidated financial statements and the related notes appearing in this report. Some of the information contained in this discussion and analysis or set forth elsewhere in this report, including information with respect to our plans and strategy for our business and related financing, includes forward-looking statements that involve risks and uncertainties. You should review the "Risk Factors" in this registration statement for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis.

Overview

Since inception, we have incurred net operating losses. Losses have principally occurred as a result of the substantial resources required for research and development and marketing of our products, which included the general and administrative expenses, associated with its organization and product development. We expect operating losses to continue, mainly due to the anticipated expenses associated with the marketing of all our products and development of Basanite Industries.

Results of Operations

Revenues for the year ended December 31, 2018 totaled \$87,836 and were derived from sales of small amounts of sales of our concrete reinforcement products.

Discontinued operations - revenue

Revenue of \$16,460 of apparel sales from our now discontinued business, Paymeon Brands, and from limited compared to revenues for the year ended December 31, 2017 of \$37,909. The \$21,449 decrease represents a decrease of 56% over the same periods in 2017 and reflects our shift towards the startup of our Basalt America business.

Operating expenses for year ended December 31, 2018 totaled \$3,395,549, reflecting an increase of \$1,040,189 or 44% from \$2,355,360 for the year ended December 31, 2017.

The net increase in operating expenses for the year ended December 31, 2018 over the year ended December 31, 2017 were primarily due to the increased general and administrative (G&A) expenses of \$1,367,411 resulting from higher stock based compensation of \$986,604 over the prior year as well as increased bad debt expense of \$79,569 offset by consulting expenses that were lower than the prior year by \$305,023.

Liquidity and Capital Resources

At December 31, 2018, we had \$121,831 of cash compared to \$188,738 at December 31, 2017. The Company had a working capital deficit of \$2,261,452 at December 31, 2018 compared to \$1,919,925 at December 31, 2017. We require additional working capital to expand our operations of Basalt America to try to achieve profitability.

Since inception, the Company has incurred net operating losses and used cash in operations. As of December 31, 2018, the Company had an accumulated deficit of \$21,135,252. 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 Basanite Industries business. These conditions raise substantial doubt about the Company's ability to continue as a going concern. We will require significant financing for our plan of operations.

During the years ended December 31, 2018 and 2017, the Company used cash in operations in the amount of \$1,398,660 and \$2,298,425, respectively. The principal elements of cash used in operations for the year ended December 31, 2018 included a loss of \$5,909,949, a decrease in inventory of \$83,559, stock-based compensation in the amount of \$1,661,104, the forfeiture of deposits in the amount of \$1,260,000, inventory impairment of 240,121, impairment of a license of \$396,849, and an increase in accrued expenses of \$318,968. The principal elements of cash used in operations for the year ended December 31, 2017 included a loss of \$2,935,112, an increase in inventory of \$377,184, a decrease in accrued payable to a related party of \$500,000 offset by a loss on leasehold improvements of \$221,328, stock-based compensation of \$815,790 and an increase in accounts payable and other accrued expenses of \$321,219.

Cash used in investing activities during the year ended December 31, 2018 was \$402,935 compared to \$1,516,881 in the prior year. In the year ended December 31, 2018, the Company paid \$400,000 in deposits on equipment. \$200,000 was paid under an agreement with RAW and was recognized as a loss on deposit during the year ended December 31, 2018. The remaining \$200,000 was paid towards a different line of machinery which was not received as this report date and will be the core of the Company's manufacturing business moving forward. In the year ended December 31, 2017, the Company purchased equipment in the amount of \$456,881 and paid deposits on machinery and equipment in the amount of \$1,060,000.

Cash provided by our financing activities was \$1,734,688 for the year ended December 31, 2018, which was comprised principally of \$1,370,239 in proceeds from the sale of common stock and \$366,325 in proceeds from notes payable with related parties. Cash provided by our financing activities was \$3,915,706 during the comparable period in 2017. For the year ended December 31, 2017, the Company received \$3,175,680 from the issuance of common stock for cash. During the year ended December 31, 2017 the Company raised \$502,500 through the sales of interest in the joint venture in Basalt Territory 1 as well as the issuance of notes in the amount of \$245,000 of which \$215,000 was to individuals considered related parties at the time of issuance. On February 12, 2019, as a result of the termination of the RAW License Agreement, the Company agreed to settle with the non-controlling investors in Basalt America Territory 1, LLC to unwind this investment. In the settlement, the Company agreed to issue 2,010,000 restricted common shares at a value representing the original investment of \$502,500 (\$0.25 per share). The non-controlling investors were issued these shares on March 21, 2019 and the Company will take control of the previous 44.7% of Basalt America Territory 1, LLC formerly representing the non-controlling interest as of December 31, 2018 in the accompanying consolidated financial statements.

For the years ended December 31, 2018 and 2017 the Company has been very dependent on generating operating capital through the issuance of debt and sale of common stock. The Company's weighted average short-term interest rate is 7.00%.

During the year ended December 31, 2018 our working capital position significantly deteriorated compared to the prior year based on the Company's impairment to inventory in the amount of \$240,121 based on the Company's review of inventory on hand and it was observed that recognizable sales value was in excess of historical cost as well as inventory the Company deemed unsellable. The current assets of the Company decreased by \$364,319 inclusive of cash decreasing by \$66,907 and inventory decreasing by \$323,679 due largely to the inventory impairment. Our liabilities for the year ended December 31, 2018 decreased by \$22,792 which was mainly due to the decrease of accrued expenses.

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 \$4,000,000 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.

Critical Accounting Policies and Estimates

Revenue Recognition

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

Under Accounting Standards Codification ("ASC") 606, in order to recognize revenue, the Company is required to identify an approved contract with commitments to perform respective obligations, identify rights of each party in the transaction regarding goods to be transferred, identify the payment terms for the goods transferred, verify that the contract has commercial substance and verify that collection of substantially all consideration is probable. The adoption of ASC 606 did not have an impact on the Company's operations or cash flows as it relates to revenue for Basalt America. The Company recorded revenue upon completion of the performance obligations and expects payment within 30 to 60 days of billing. All revenue for 2018 related to sales of rebar.

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. The Company has not recorded any liability for product warranties.

Discontinued Operations

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

Stock-Based Compensation

The Company recognizes compensation costs to employees under FASB ASC No. 718, *Compensation – Stock Compensation*. Under FASB ASC 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 ASC 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 ASC.

Recent Accounting Pronouncements

In June 2018, the FASB issued ASU 2018-07 Compensation – Stock Compensation (Topic 718), Improvements to Nonemployee Share-Based Payment Accounting. This ASU is intended to simplify aspects of share-based compensation issued to non-employees by making the guidance consistent accounting for employee share-based compensation. It is effective for annual reporting periods, and interim periods within those years, beginning after December 15, 2018. The Company does not believe that there will be a material impact of the adoption of ASU 2018-07 on its consolidated financial statements.

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

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

In February 2016, FASB issued ASU 2016-02, Leases (Topic 842). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases. The new guidance will be effective for annual reporting periods beginning after December 15, 2018, including interim periods within that reporting period and is applied retrospectively. The Company will adopt this standard effective January 1, 2019 using the modified retrospective model. Discussion of the impact of this standard is included in Item 2 - Properties.

All other newly issued accounting pronouncements but not yet effective have been deemed either immaterial or not applicable.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Not required for smaller reporting companies.

Item 8. Financial Statements and Supplementary Data.

The requirements of this Item can be found beginning on page F-1 found elsewhere in the Annual Report.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.

None

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

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

The Company’s management, under the supervision and with the participation of the Company’s Interim Chief Executive Officer and Interim Principal 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 December 31, 2018. Based upon that evaluation and the identification of the material weakness in the Company’s internal control over financial reporting as described below under “Management’s Report on Internal Control over Financial Reporting,” the Interim Chief Executive Officer and Interim Principal Accounting Officer concluded that the Company’s disclosure controls and procedures were not effective as of the end of the period covered by this report.

Management’s Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting of the Company. Management, with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of our internal control over financial reporting as of December 31, 2018, based on the criteria established in 2013 Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, the Interim Chief Executive Officer and Interim Principal Accounting Officer concluded that, as of December 31, 2018, our internal control over financial reporting is not effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles because of the Company’s limited resources and limited number of employees. We have identified material weaknesses in our internal control over financial reporting related to proper segregation of duties; timely filing of our annual and quarterly reporting to the SEC and related to information technology controls related to our inventory system.

To mitigate the current limited resources and limited employees, we rely heavily on direct management oversight of transactions, along with the use of legal and accounting professionals. As we grow, we expect to increase our number of employees, which will enable us to implement adequate segregation of duties within the internal control framework. To mitigate the inventory and point of sales controls the Company intends to develop and implement effective monitoring controls and assign additional employees to oversee such transactions.

This annual report does not include an attestation report of the company’s registered public accounting firm regarding internal control over financial reporting. Management’s report was not subject to attestation by the Company’s registered public accounting firm pursuant to temporary rules of the SEC that permit the company to provide only management’s report in this annual report.

Limitations on Effectiveness of Controls and Procedures

Our management, including our Interim Chief Executive Officer and Interim Chief Accounting Officer, does not expect that our disclosure controls and procedures or our internal controls will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include, but are not limited to, the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Changes in Internal Control over Financial Reporting

There were no changes to our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Directors and Executive Officers

The following table sets forth certain information regarding our executive officers and directors as of December 31, 2018. Our directors are typically appointed by the other members of the Board of Directors and serve until their resignation or replacement. Executive officers are appointed by our Board of Directors and their term of office is at the discretion of our board.

Name	Age	Position
David Anderson	56	Interim Chief Executive Officer and Interim Principal Financial Officer
Vincent L. Celentano ⁽¹⁾	53	Chairman of the Board of Directors, Chief Executive Officer and Principal Financial Officer
Ronald J. LoRicco, Sr.	52	Director
Paul M. Sallarulo	62	Director
Frank Monti, Sr.	78	Director
Michael V. Barbera ⁽²⁾	64	Director

(1) Mr. Celentano resigned from the Company in all his capacities on January 24, 2019.

(2) Mr. Barbera was appointed to the board of directors on February 11, 2019.

Dave Anderson. Mr. Anderson has more than 25 years' experience in the construction and agricultural industries, having devoted significant specialization to the manufacture of specialized plastics and composite materials. During his career, Mr. Anderson has served in positions related to all aspects of corporate development for various entities, including in sales, marketing and business development for two elite manufacturers that specialize in varying extrusion processes, Monahan Filaments (Formerly Specialized Filaments) and Fabpro Oriented Polymers, Inc. Prior to working with Monahan, Mr. Anderson spent more than 16 years at Fabpro, where he led the growth of the company to \$73 million in sales and oversaw it becoming the largest producer of synthetic fibers for reinforcement in North America. Mr. Anderson also has extensive experience in plant operations and compliance and has developed and completed successful projects throughout North America. As an industry consultant, Mr. Anderson has utilized his manufacturing and business experience to provide manufacturing companies with leadership for Turn-Arounds, Professional Training and Growth Programs.

Vincent L. Celentano. Vincent Celentano has served as a director of our company since February 2016 and as chairman and chief executive officer since April 13, 2018. Mr. Celentano is an experienced investor with interests in real estate, online media and medical service facilities. From 2012 to present, Mr. Celentano has been an investor in Prodeco Technologies, LLC, a private manufacturer of electric bikes based in Fort Lauderdale, Florida. In 2010, Mr. Celentano became the principal investor in Legendary Trails, a 200-acre residential development located in Ocala, Florida. From 2007 to 2010, Mr. Celentano was the founder of WCIS Media, LLC, the owner of whocanisue.com, a legal lead generation platform. From 2007 to 2010, Mr. Celentano also owned interests in various medical industry related entities that owned and operated imaging facilities, ambulatory surgical centers, and chiropractic centers. In 2005, Mr. Celentano acquired an interest in Holiday Isle Resort and Marina located in the Florida Keys, which was later sold in April, 2006 for \$98.25 million. From 2002 until its sale in 2006, Mr. Celentano was the Managing Partner of Baypoint South in Naples, Florida, a 161 unit condominium conversion project.

Paul M. Sallarulo. Paul M. Sallarulo has served as a member of board of directors since April 2017. He served as Chairman of the Board, President and CEO of Nexera Medical Inc. As the Company's principal government contact, Mr. Sallarulo was responsible for Nexera receiving the first certification in Europe for an antimicrobial mask, in addition to the first certification of a predicate device "anti bacterial respirator mask" issued by the FDA. Mr. Sallarulo had an extensive financial career in capital markets and investment banking in senior positions with Wachovia Securities, Prudential, Raymond James, Meridian Capital Markets and CoreStates Capital Markets. Mr. Sallarulo was appointed Commissioner of the North Broward Hospital District by Florida Governor Jeb Bush for two four-year terms and served as Chairman of the Board of Commissioners, and Chairman of the Executive Committee. He oversaw four major hospitals, thirty-eight clinics, six thousand professionals, and a budget in excess of \$2 billion. He served as Chairman of the Audit Committee, Legal Review Committee, Joint Conference Committee, Broward Health Foundation, Community Relations Committee for Broward General Hospital, Community Relations Committee for Imperial Point Medical Center, and currently serves on the Liberty Health Foundation Board in Jersey City, New Jersey. Mr. Sallarulo served on the Board of Directors of Foss Manufacturing, LLC Company, Board of Trustees of Nova Southeastern University, Chairman of the Board of Governors of Nova Southeastern University - Wayne Huizenga School of Business, President of the International Alumni Association of NSU, Nova Southeastern University College of Dental Medicine — Advisory Board, and was inducted as the first Honorary member into Sigma Beta Delta Society – International Honor Society in Business, Management and Administration. Mr. Sallarulo also served as a member of the Planning and Zoning Board of Fort Lauderdale, Broward County Personal Advisory Board Fort Lauderdale, the Fort Lauderdale Marine Advisory Board, and the Economic Development Advisory Board. Mr. Sallarulo was Co-Founder of Broward Bank of Commerce, and served on the Board of Directors. He is Chairman of the Budget Committee, Strategic Planning Committee and Nominating Committee. He also served on the Marketing Committee, Loan Committee, ALCO Committee, and Compensation Committee. Mr. Sallarulo assisted in the Sale of Broward Financial Holdings, the parent company of Broward Bank of Commerce, to Home BancShares, parent company of Centennial Bank in 2014. Mr. Sallarulo currently serves on the Regional Board of Directors of Centennial Bank and serves on the Loan Committee, and Strategic Planning Committee. Mr. Sallarulo is the recipient of several prestigious awards including: Distinguished Alumni Achievement Award — Nova Southeastern University — 1996. Mr. Sallarulo is Chairman of The Special Olympics of Broward County, and has been an advocate for people with physical and mental challenges for more than 44 years. Mr. Sallarulo graduated with a B.B.A. degree in Business Administration from Baruch College in New York City and an M.B.A. from Nova Southeastern University with honors in Fort Lauderdale, Florida.

Ronald J. LoRicco, Sr. Ronald J LoRicco, Sr. has served as a member of our board of directors since June, 2017. Mr. LoRicco attended Fairfield University where he received a Bachelor of Arts degree in 1986. Thereafter, he received a Juris Doctor degree from Quinnipiac College School of Law, formerly known as the University of Bridgeport, School of Law, in 1989, when he became affiliated with the firm. Mr. LoRicco practices in the areas of civil litigation, insurance defense, criminal law, estate planning and administration and workers' compensation. He is also admitted to practice in United States District Court for the District of Connecticut. Mr. LoRicco is a member of the American, Connecticut, and New Haven Bar Associations, American Trial Lawyers Association and Connecticut Trial Lawyers Association. Mr. LoRicco presently serves several organizations. He supports the Board of the Jimmy Fund in its fundraising efforts. The Jimmy Fund is a local charitable organization providing assistance to families who have children suffering from cancer. He is also an avid supporter of the Juvenile Diabetes organization and the Yale New Haven Children's Hospital.

Frank O. Monti, Sr. Frank O. Monti, Sr. has served as a member of our board of directors since 2017. Mr. Monti is founder of CAM HVAC & Construction. Founded in 1974, CAM HVAC & Construction Inc. is a family-owned business focused on installing and repairing heating, ventilation and air conditioning systems. As a complete mechanical contracting company, CAM installs and services heating, ventilation and air conditioning equipment and systems. Supported by 45 employees including highly skilled and licensed service technicians, pipefitters and sheet metal fabricators and installers, CAM provides a full range of services for both public bid projects and private companies.

Michael V. Barbera, 64, has served as the Chief Executive Officer of Analytical Maintenance Services, Inc. ("AMS") located in Boca Raton, Florida since 1998. AMS, a privately held company, provides analytical instrument services, instrumentation, comprehensive training courses and general application support to both the chemical and pharmaceutical industries. Mr. Barbera received a Bachelor of Science in Electronic Engineering degree in 1977 from the Florida Keys Community College and a Bachelor of Professional Studies in Science degree from Barry University in 1990. Mr. Barbera also served in the United States Navy from 1972 through 1978 where he specialized in Aviation Electronics.

Directors

Our Board of Directors consists of four members. The terms of directors expire at the next annual shareholders' meeting unless their terms are staggered as permitted in our Bylaws. Each shareholder is entitled to vote the number of shares owned by him for as many persons as there are directors to be elected. Shareholders do not have a right to cumulate their votes for directors.

Committees of the Board of Directors

As of December 31, 2018, we had not established any committees of our board of directors. However, on March 19, 2019, our board of directors established the following committees consisting of the following members of our board of directors: (i) an Audit Committee consisting of Messrs. Barbera and Sallarulo; (ii) a Compensation Committee consisting of Messrs. Barbera and LoRicco; and (iii) a Nominating Committee consisting of Messrs. LoRicco and Sallarulo. As of the filing date of this Form 10-K, our board of directors has not adopted charters for any of these committees. However, our board of directors intends to do so in the second quarter of 2019. Our board of directors believe that each of the members of these committees qualify as independent under the rules of NASDAQ and the SEC, however a formal determination of such has not yet been made. Also, no member of the Audit Committee has been determined to be a "financial expert" as of this filing.

For the purposes of the review of this Form 10-K and through the date of this filing, our entire board of directors has acted as our Audit Committee as permitted under Section 3(a)(58)(B) of the Exchange Act. Our board of directors reviews the professional services provided by our independent auditors, the independence of our auditors from our management, our annual financial statements and our system of internal accounting controls. Further, as we are currently quoted on the OTC Markets, we are not subject to any exchange rule which includes qualitative requirements mandating the establishment of any particular committees. Although, as noted above, we have recently elected to form such committees. At this time we do not have a policy regarding the consideration of any director candidates which may be recommended by our shareholders, including the minimum qualifications for director candidates, nor has our Board of Directors established a process for identifying and evaluating director nominees. We have not adopted a policy regarding the handling of any potential recommendation of director candidates by our shareholders, including the procedures to be followed. Our board has not considered or adopted any of these policies as we have never received a recommendation from any shareholder for any candidate to serve on our Board of Directors, however we expect the Nominating Committee to adopt such a policy during the second quarter of 2019. Given the nature of our operations, we do not anticipate that any of our shareholders will make such a recommendation in the near future. While there have been no nominations of additional directors proposed, in the event such a proposal is made, all members of our Nominating Committee will participate in the consideration of director nominees.

Director Compensation

The following table provides information concerning the compensation of our Board members for their services as members of our Board of Directors for the years ended December 31, 2018 and 2017. The value attributable to any option awards is computed in accordance with FASB ASC Topic 718. The assumptions made in the valuations of the option awards are included in Note 13 of the Notes to our Consolidated Financial Statements for the year ended December 31, 2018 and 2017 appearing elsewhere in this report.

For the year ended December 31, 2018

Name	Fees earned or paid in cash	Stock Awards	Option Awards	Non-equity Incentive Plan Compensation	Nonqualified Deferred Compensation Earnings	All other Compensation	Total
Vincent L. Celentano ⁽¹⁾	\$ 18,000	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 18,000
Paul Sallarulo ⁽²⁾	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Frank Monti, Sr. ⁽³⁾	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Ronald J. LoRicco, Sr. ⁽⁴⁾	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

For the year ended December 31, 2017

Name	Fees earned or paid in cash	Stock Awards	Option Awards	Non-equity Incentive Plan Compensation	Nonqualified Deferred Compensation Earnings	All other Compensation	Total
Vincent L. Celentano ⁽¹⁾	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 30,900	\$ 30,900
Paul Sallarulo ⁽²⁾	\$ 10,000	\$ 125,000	\$ 62,500	\$ —	\$ —	\$ —	\$ 197,500
Frank Monti, Sr. ⁽³⁾	\$ —	\$ —	\$ 125,000	\$ —	\$ —	\$ —	\$ 125,000
Ronald J. LoRizzo, Sr. ⁽⁴⁾	\$ —	\$ —	\$ 125,000	\$ —	\$ —	\$ —	\$ 125,000
Edward A. Cespedes ⁽⁵⁾	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

- (1) Mr. Celentano received consulting fees for project work done on behalf of the Company. Mr. Celentano received no other compensation for his service as a director. Mr. Celentano resigned as a member of the board of directors on January 24, 2019.
- (2) Mr. Sallarulo was issued 250,000 shares of restricted common stock on April 13, 2017. The shares were valued at the time at \$125,000. On October 17, 2017, Mr. Sallarulo was issued an option to purchase 250,000 shares of Basanite, Inc. common stock at a strike price of \$0.25 per share. The option is valued at \$62,500.
- (3) Reflects the value of an option to purchase 500,000 shares of Basanite, Inc. common stock issued on October 17, 2017 for a strike price of \$0.25 per share. The option is valued at \$125,000.
- (4) Reflects the value of an option to purchase 500,000 shares of Basanite, Inc. common stock issued on October 17, 2017 for a strike price of \$0.25 per share. The option is valued at \$125,000.
- (5) Mr. Cespedes resigned from our board of directors on April 13, 2018. He received no compensation for his service as a director.

Family Relationships

There are no family relationships among our interim executive officers or directors.

Involvement in Certain Legal Proceedings

None of our directors or interim executive officer have been convicted in a criminal proceeding, excluding traffic violations or similar misdemeanors, or has been a party to any judicial or administrative proceeding during the past ten years that resulted in a judgment, decree or final order enjoining the person from future violations of, or prohibiting activities subject to, federal or state securities laws, or a finding of any violation of federal or state securities laws, except for matters that were dismissed without sanction or settlement. Except as set forth in our discussion below in “Certain Relationships and Related Transactions”, none of our directors, director nominees or interim executive officer has been involved in any transactions with us or any of our directors, executive officers, affiliates or associates which are required to be disclosed pursuant to the rules and regulations of the SEC.

Code of Ethics

Our Board has adopted a Code of Ethics that applies to all of our employees, including our Chief Executive Officer and Chief Financial Officer. Although not required, the Code of Ethics also applies to our directors. The Code of Ethics provides written standards that we believe are reasonably designed to deter wrongdoing and promote honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships, full, fair, accurate, timely and understandable disclosure and compliance with laws, rules and regulations, including insider trading, corporate opportunities and whistle-blowing or the prompt reporting of illegal or unethical behavior. A copy of the Code of Ethics is posted on our website <https://basaniteindustries.com>. A request for a copy can be made in writing to Basanite, Inc., at 2041 NW 15th Avenue, Pompano Beach, Florida 33069, Attention: Mr. Dave Anderson.

Shareholder Communications

Although we do not have a formal policy regarding communications with our Board, shareholders may communicate with the Board by writing to us at Basanite, Inc., 2041 NW 15th Avenue, Pompano Beach, Florida 33069. Attention: Mr. Dave Anderson. Shareholders who would like their submission directed to a member of the Board may so specify, and the communication will be forwarded, as appropriate.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires our directors and interim executive officer, and persons who beneficially own more than 10% of a registered class of our equity securities, to file with the SEC initial reports of ownership and reports of changes in ownership of common stock and the other equity securities. Officers, directors and 10% beneficial owners are required by SEC regulations to furnish us with copies of all Section 16(a) forms they file. Based solely on a review of the copies of the forms furnished to us, we believe that all filing requirements were complied with during 2018.

Item 11.

Executive Compensation.

The following table summarizes all compensation recorded by us in the last two completed fiscal years for:

- Our interim principal executive officer or other individual serving in a similar capacity;
- Our two most highly compensated executive officers other than our interim principal executive officer who were serving as executive officers at December 31, 2018 as that term is defined under Rule 3b-7 of the Securities Exchange Act of 1934; and
- Up to two additional individuals for whom disclosure would have been required but for the fact that the individual was not serving as an interim executive officer at December 31, 2018.

For definitional purposes, these individuals are sometimes referred to as the “named executive officers”.

Name	Years	Salary (\$)	Bonus(\$)	Stock Awards(\$)	All Other Compensation(\$)	Total (\$)
Dave Anderson ⁽¹⁾	2018	\$ 62,000	—	\$ 297,931	—	\$ 359,931
	2017	—	—	—	—	—
Edward Cespedes ⁽²⁾	2018	\$ 49,932	—	—	\$ 3,841	\$ 53,773
	2017	\$ 175,000	—	—	\$ 13,462	\$ 188,642

(1) Mr. Anderson was appointed as the Company’s Interim Chief Executive and Interim Principal Accounting Officer on August 18, 2018. Under this agreement, Mr. Anderson received \$62,000 in cash and 1,000,000 warrants. On September 23, 2018, the Company further issued 1,500,000 warrants for additional services provided. Both warrants are five-year warrants and have a strike price of \$0.1235. The August warrants were recognized over the term of the original consulting contract and the September warrants will be recognized over the life of the warrants. The Company valued these warrants at \$142,979 and \$154,952, respectively. The warrants were immediately vested at time of issuance.

(2) Approximately \$469,000 of salary and \$36,000 of vacation have been accrued but not paid.

On March 19, 2018, Mr. Cespedes forgave \$200,000 of accrued payroll due him. On September 13, 2018, Mr. Cespedes, forgave \$77,780 of accrued vacation pay due him.

Mr. Cespedes resigned from the Company on April 13, 2018.

Employment Agreements

On March 4, 2019, the Company and Dave Anderson entered into an employment agreement dated February 1, 2019. Pursuant to the employment agreement, the Company agrees to employ Dave Anderson as the Executive Vice President and Chief Operating Officer. The term of the employment agreement is for a period of three years and a base salary of \$190,000 annually. The Company will also pay \$15,000 in relocation costs to Dave Anderson as part of this agreement. Dave Anderson is also entitled to receive equity-based compensation annually during his employment period as described in the employment agreement.

As provided in an addendum to this employment agreement, Dave Anderson has agreed to remain as the Interim Chief Executive Officer and Interim Principal Accounting Officer until a suitable replacement can be found. Once that occurs, Dave Anderson will become the Executive Vice President and Chief Operating Officer. There will be no additional compensation to Dave Anderson for these services.

Mr. Anderson is also eligible to receive an annual cash bonus of up to \$26,780 in year one, \$82,018 in year two and \$150,557 in year three based upon the Company's achieving certain target financial objectives. In addition, Mr. Anderson is eligible to receive annual grants of options to purchase shares of the Company's common stock of up to 1,500,000 shares in year one, 2,500,000 shares in year two and 3,500,000 shares in year three based upon the Company's achieving certain target financial objectives. Such option grants if earned will have an exercise price equal to fair market value of the Company's common stock at the time they are granted.

How Compensation for our Directors and Executive Officers was Determined

During 2018, our non-executive directors received stock option awards commensurate with what we believe is commensurate with the pay of directors of publicly traded entities similar to ours.

2018 Option Grants to Executive Officers

On August 8, 2018, the Company entered into a six-month agreement with David Anderson to act as its Interim Chief Executive Officer and Interim Principal Financial Officer. In conjunction with the appointment, the Company issued 1,000,000 warrants to purchase at a strike price of \$0.1235 per share. The warrants were immediately vested at time of issuance and have a five-year life. The Company recorded an expense of \$142,979 upon the issuance of these warrants. Additionally, the Company has entered into a six-month agreement with Mr. Anderson whereby total compensation of \$65,000 will be recognized pro-rata over the term of the agreement.

On September 23, 2018, the Company further issued 1,500,000 to David Anderson, Interim Chief Executive Officer and Interim Principal Financial Officer for additional services provided. The five-year warrants had a strike price of \$0.1235. The Company valued these warrants at \$154,952 and will be recognized over the life of the warrants.

Outstanding Equity Awards At Fiscal Year-End

None.

Equity Compensation Plan Information

None. We have not issued any options, warrants or other equity or non-equity-based incentives nor has any equity award/compensation has been awarded to, earned by, or paid to any of our executive officers, directors or key employees; therefore, we have omitted an Outstanding Equity Awards at Fiscal Year End Table as permitted under Regulation S-K. Further, as a "smaller reporting company" we are providing the scaled disclosures as permitted by Regulation S-K and therefore, have omitted a Grants of Plan Based Award Table, Options Exercised and Stock Vested Table, Pension Benefits Table and Nonqualified Deferred Compensation Table.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

The following table shows the number of shares and percentage of all shares of common stock issued and outstanding as of March 27, 2019, held by any person known to the Company to be the beneficial owner of 5% or more of the Company's outstanding common stock, by each executive officer and director, and by all directors and executive officers as a group. The persons named in the table have sole voting and investment power with respect to all shares beneficially owned. Unless otherwise noted below, each beneficial owner has sole power to vote and dispose of the shares and the address of such person is c/o our corporate offices at 2041 NW 15th Avenue, Pompano Beach, Florida 33069. Pursuant to Rule 13d-3 under the Exchange Act, a person has beneficial ownership of any securities as to which such person, directly or indirectly, through any contract, arrangement, undertaking, relationship or otherwise has or shares voting power and/or investment power or as to which such person has the right to acquire such voting and/or investment power within 60 days. Applicable percentage of ownership is based on common stock outstanding as of 170,412,993 as of March 27, 2019, together with 13,983,333 shares of securities exercisable or convertible into shares of common stock within sixty (60) days of March 27, 2019 for each stockholder.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	% of Class
Ronald J. LoRicco, Sr. ⁽¹⁾	31,916,667	17.31%
Vincent L. Celentano ⁽²⁾	22,422,324	13.24%
Edward Cespedes ⁽³⁾	10,501,142	5.69%
RAW LLC	10,000,000	5.42%
Yellow Turtle Design, LLC	10,000,000	5.42%
Paul Sallarulo ⁽⁴⁾	5,843,493	3.26%
Michael V. Barbera ⁽⁵⁾	6,003,333	3.16%
Rich Krolewski ⁽⁶⁾	5,000,000	2.71%
Dave Anderson ⁽⁷⁾	3,500,000	1.90%
CAM Group of Florida, LLC ⁽⁸⁾	3,366,667	1.83%
Totals		59.95%

- (1) Common shares are held in the name of RVRM Holdings, LLC which is controlled by our director, Ronald J. LoRicco, Sr. Includes 500,000 shares of common stock issuable upon exercise of common stock purchase options, held in the name of Mr. LoRicco and are exercisable at \$0.25 per share. Also includes 4,000,000 shares of common stock issuable upon exercise of a warrant exercisable at \$0.075 per share. This total includes 2,133,334 shares owned entities owned by Mr. LoRicco's children.
- (2) Includes shares held by Mr. Celentano directly and by two companies of which he is the 100% owner and manager, Celentano Consulting Company, LLC and VCVC, LLC. Also includes 687,444 shares issuable upon conversion of outstanding convertible notes in the aggregate principal and interest amount of \$237,168 calculated as of March 5, 2019.
- (3) Includes shares held by Mr. Cespedes directly, by the Edward A. Cespedes Revocable Trust Dated August 2007, and by EAC, a holding company owned 100% by Mr. Cespedes. Mr. Cespedes resigned on April 13, 2018.
- (4) Includes 250,000 shares of common stock issuable upon exercise of common stock purchase option exercisable at \$0.25 per share.
- (5) Michael V. Barbera became a director of the Company on February 11, 2019. Includes 2,000,000 shares of common stock issuable upon exercise of warrants exercisable at strike prices ranging from \$0.05 to \$0.60 per share. Also includes 1,000,000 shares of common stock issuable upon conversion of a note outstanding in the amount of \$50,000.
- (6) 5,000,000 restricted stock warrants were issued on March 5, 2019. Mr. Krolewski is a consultant who is expected to be named Chief Executive Officer in April 2019.
- (7) Includes 2,500,000 shares of common stock issuable upon exercise of warrants exercisable at \$0.1235 per share.
- (8) CAM Group of Florida, LLC is controlled by our director, Frank Monti, Sr. Includes 500,000 shares of common stock issuable upon exercise of common stock purchase option exercisable at \$0.25 per share. Also includes 50,000 shares of common stock issuable upon exercise of a warrant exercisable at \$0.40 per share and 50,000 shares of common stock issuable upon exercise of a warrant exercisable at \$0.60 per share.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

Except as disclosed below, we are currently not a part to any related party transaction, including transaction in which:

- The amounts involved exceeded or will exceed the lesser of \$120,000 or 1% of the average of our Company's total assets at year-end for the last two fiscal years; and
- A director, executive officer or holder of more than 5% of our common stock or any member of his or her immediate family had or will have a direct or indirect material interest.

None of our directors have any issues which impair their independence.

As of December 31, 2018, the Company had issued and outstanding a series of unsecured promissory notes in the aggregate principal amount of \$378,000 to Vincent Celentano and William Celentano and their affiliated entities. The notes bear interest at an annual rate of 7% and were payable on or before twelve months from the date of issuance (all of which were extended as noted herein). Subject to certain limitations below, the notes may be converted at any time, at the option of the holder, into shares of the Company's common stock at a conversion price ranging from \$0.12 to \$0.345 per share, subject to adjustment. The conversion of the notes may be limited if, upon conversion, the holder thereof would beneficially own more than 4.9% of the Company's common stock. The Company used the proceeds for working capital purposes. William Celentano is the brother of Vincent Celentano. Each person disclaims beneficial interest in the securities held by the other. During the year ended December 31, 2018 Vincent and William Celentano and their affiliated entities held the equivalent of 1,687,092 shares of common stock, if converted. This number of shares includes accrued interest of \$127,047.

All notes payable from Vincent L. Celentano and his related entities will no longer be considered related party debt effective January 24, 2019 as he has resigned from the Board of Directors and no longer has an affiliation with the Company. On March 14, 2019, noteholders including Vincent L. Celantano converted their convertible notes payable - related parties with a principal balance of \$378,000. The noteholders converted all principal and accrued interest under these notes in the amount of \$509,178 (which includes interest accrued through February 26, 2019) in exchange for 1,700,985 restricted common shares of the Company.

On March 19, 2018, the Company amended the Note with CAM Group of Florida, LLC. CAM Group of Florida, LLC is controlled by one of our directors, Frank Monti, Sr. The Note is for the amount of \$200,000 and was originally issued on August 9, 2017 and was then extended to February 28, 2018. The Note was amended to be a "demand" note. The principal amount of \$200,000 was converted into shares of common stock effective August 16, 2018. Accrued interest in the amount of \$20,329 as of that date was forgiven by CAM Group of Florida, LLC.

On April 13, 2018, upon the resignation of Edward A. Cespedes, EAC, the personal holding company of our former chairman and chief executive officer, Mr. Cespedes issued a demand for repayment of \$50,000 borrowed under the Demand Revolving Credit Line. The amount has not been paid as of the date of filing. As of June 21, 2018, the Company had failed to repay amounts due EAC, and was in default. On June 21, 2018, EAC waived the default and granted the Company an extension of time to make repayment to July 15, 2018. The Company did not make payment by the expiration of the extension issued by EAC. On July 24, 2018, EAC granted the Company another extension to August 31, 2018. On September 19, 2018, EAC waived the default and granted the Company an extension of time to make repayment to October 15, 2018. EAC received no additional compensation or benefits of any kind in conjunction with granting the extension. As of December 31, 2018, this demand note had accrued interest of \$2,500. On January 15, 2019, EAC granted the Company an extension on this loan until March 15, 2019. On March 7, 2019, EAC granted the Company an extension on this loan until May 1, 2019.

During the year ended December 31, 2018, the Company issued five unsecured, 4% percent, ninety-day promissory notes to RVRM Holdings, LLC ("RVRM") totaling \$90,000. RVRM is managed by Ronald J. LoRicco, Sr., a member of our board of directors. The \$90,000 in principal to RVRM was converted for 1,200,000 shares of common stock. The accrued interest of \$2,239 through the date of conversion was forgiven by RVRM. RVRM Holdings, LLC is controlled by one of our directors, Ronald J. LoRicco, Sr.

During the year ended December 31, 2018, the Company issued unsecured, 4% percent, demand promissory notes to VCVC, LLC (“VCVC”) totaling \$260,425. VCVC, the personal holding company of our former chairman and chief executive officer at the time of the notes, Vincent L. Celentano. As of December 31, 2018, these notes had accrued interest of \$10,252.

Interest expense for the Company’s notes payable – related party for the year ended December 31, 2018 was \$28,540 compared to \$8,516 to the year ended December 31, 2017. Accrued interest for the Company’s notes payable-related party at December 31, 2018 and 2017 was \$14,427 and \$8,516, and another \$22,568 of accrued interest in the year ended December 31, 2018 was forgiven and included in additional paid in capital.

Currently, we have no formal procedures in effect for reviewing and pre-approving any transactions between us, our directors, officers and other affiliates. We will use our best efforts to ensure that all transactions are on terms at least as favorable to the Company as we would negotiate with unrelated third parties.

On August 8, 2018, the Company entered into a six-month agreement with David Anderson to act as its Interim Chief Executive Officer and Interim Principal Financial Officer. In conjunction with the appointment, the Company issued 1,000,000 warrants to purchase at a strike price of \$0.1235 per share. The warrants were immediately vested at time of issuance and have a five-year life. The Company recorded an expense of \$142,979 upon the issuance of these warrants. Additionally, the Company has entered into a six-month agreement with Mr. Anderson whereby total compensation of \$65,000 will be recognized pro-rata over the term of the agreement.

On September 23, 2018, the Company further issued 1,500,000 to David Anderson, Interim Chief Executive Officer and Interim Principal Financial Officer for additional services provided. The five-year warrants had a strike price of \$0.1235. The Company valued these warrants at \$154,952 and will be recognized over the life of the warrants.

The Company and Dave Anderson entered into an employment agreement dated February 1, 2019. Pursuant to the employment agreement, the Company agrees to employ Dave Anderson as the Executive Vice President and Chief Operating Officer. The term of the employment agreement is for a period of three years and a base salary of \$190,000 annually. The Company will also pay \$15,000 in relocation costs to Dave Anderson as part of this agreement. Dave Anderson is also entitled to receive equity-based compensation annually during his employment period as described in the employment agreement.

As provided in an addendum to this employment agreement, Dave Anderson has agreed to remain as the Interim Chief Executive Officer and Interim Principal Accounting Officer until a suitable replacement can be found. Once that occurs, Dave Anderson will become the Executive Vice President and Chief Operating Officer. There will be no additional compensation to Dave Anderson for these services.

On September 27, 2018, the Company received \$50,000 for the purchase of 666,667 restricted common shares (\$0.075 per share) received from a related party (RVRM). The shares were issued on November 2, 2018.

As of November 2, 2018, the Company received \$200,000 from a related party, RVRM, to purchase 4,000,000 restricted common shares (\$0.05 per share). The related party investor also received warrants to purchase 4,000,000 shares for a cash exercise price of \$0.075 per share. The warrants have a term of 5 years and are callable by the Company should the closing price of its common shares meet or exceed \$1.00 per share for 20 consecutive trading days.

During the year ended December 31, 2018, the Company issued unsecured, 4% percent, demand promissory notes to VCVC, LLC (“VCVC”) totaling \$260,425. VCVC, the personal holding company of our former chairman and chief executive officer at the time of the notes, Vincent L. Celentano. As of December 31, 2018, these notes had accrued interest of \$10,252.

During the three months ended December 31, 2018, the Company issued five unsecured, 4% percent, ninety-day promissory notes to RVRM Holdings, LLC (“RVRM”) totaling \$90,000. RVRM is managed by Ronald J. LoRicco, Sr., a member of our board of directors. The \$90,000 in principal to RVRM was converted for 1,200,000 shares of restricted common stock. The accrued interest of \$2,239 through the date of conversion was forgiven by RVRM.

On January 18, 2019, the Company entered into secured convertible promissory note agreements with a Related Party in the amount of \$50,000. The note has a term of 180 days bearing an interest rate of 15% per annum. At the Company's sole option, the note could be converted into shares of the Company's common stock for a conversion price of \$0.05 per share. If the notes are converted, the Related Party is entitled to receive 5-year warrants with a strike price of \$0.075 per share. The warrants would equal the number of shares received in the conversion of the Secured Convertible Promissory Note.

On February 8, 2019, the Company issued a 90-day promissory note to a RVRM, Holdings, LLC in the amount of \$80,000. The note has a maturity date of May 10, 2019 and an interest rate of 7% per annum.

On February 12, 2019, as a result of the termination of the RAW License Agreement, the Company agreed to settle with the non-controlling investors in Basalt America Territory 1, LLC to unwind this investment. In the settlement, the Company agreed to issue 2,010,000 restricted common shares at a value representing the original investment of \$502,500 (\$0.25 per share). The non-controlling investors were issued these shares on March 21, 2019 and the Company will take control of the previous 44.7% of Basalt America Territory 1, LLC formerly representing the non-controlling interest as of December 31, 2018 in the accompanying consolidated financial statements.

On February 27, 2019 and February 28, 2019, the Company received a total of \$100,000 investment, from two of the Company's directors, Michael V. Barbera in consideration for 2,000,000 restricted common shares and warrants to purchase an additional 2,000,000 common shares. As of this report date these shares have not been issued.

Item 14.

Principal Accounting Fees and Services.

Currently, our Board reviews and approves audit and permissible non-audit services performed by its independent registered public accounting firm of KBL, LLP, as well as the fees charged for such services. In its review of non-audit service and its appointment of KBL, LLP, the Company's independent registered public accounting firm for the respective years, the Board considered whether the provision of such services is compatible with maintaining independence. All of the services provided, and fees charged by KBL, LLP, were approved by the Board, acting as our Audit Committee. The following table shows the fees for the years ended December 31, 2018 and 2017.

	2018	2017
Audit Fees ⁽¹⁾	\$ 62,500	\$ 29,625
Audit Related Fees ⁽²⁾	\$ —	\$ 15,000
Tax Fees	\$ —	\$ 4,850
All Other Fees	\$ —	\$ —

(1) Audit fees – these fees relate to the audit of our annual financial statements and the review of our interim quarterly financial statements billed during the respective years.

(2) Audit Related Fees – these fees relate to the audited and unaudited financial statements for Basalt America.

PART IV

Item 15.
Exhibits, Financial Statement Schedules.

(a) Documents filed as part of the report.

- (1) All Financial Statements
- (2) Financial Statements Schedule
- (3) Exhibits

Exhibits

Exhibit No.	Exhibit Description	Incorporated by Reference			Filed or Furnished Herewith
		Form	Date Filed	Number	
2.1	Merger Agreement dated February 17, 2011	8-K	3/21/11	2.1	
3.1	Articles of Incorporation	S-1	11/4/08	3.1	
3.2	Amendment to Articles of Incorporation	S-1	11/4/08	3.3	
3.3	Amendment to Articles of Incorporation increasing capital stock and blank check preferred	8-K	4/3/13	3.1	
3.4	Amendment to Articles of Incorporation Name change and reverse split effective May 17, 2013	8-K	5/6/13	3.1	
3.5	Bylaws	S-1/A	12/8/11	3.5	
3.6	Agreement and plan of merger between Basanite, Inc. and PayMeOn, Inc.	8-K	12/12/18	2.1	
3.7	Articles of Merger	8-K	12/12/18	3.1	
10.1	Indemnification Agreement	8-K	2/18/11	10.1	
10.2	Sublease Agreement	8-K	10/28/15	10.2	
10.3	Employment Agreement with Edward Cespedes	8-K	8/15/11	10.1	
10.4	Agreement with Adility, Inc.	S-1/A	12/8/11	10.7	
10.5	Form of Secured Convertible Promissory Note	8-K	1/3/13	10.1	
10.6	Form of General Security Agreement	8-K	1/3/13	10.2	
10.7	WCIS Asset Purchase Agreement effective April 1, 2013	DEF 14A	3/19/13		
10.8	Membership Interest Purchase Agreement dated July 18, 2014, A Better Bike, LLC	8-K	7/22/14	10.1	
10.9	Membership Interest Purchase Agreement dated July 18, 2014, EBIKES, LLC	8-K	7/22/14	10.2	
10.10	Amendment to Edward Cespedes Executive Employment Agreement dated July 18, 2014	8-K	7/22/14	10.3	
10.11	Form of Non Exclusive Dealer Agreement with Prodeco Technologies LLC	10-K	3/26/15	10.12	
10.12	Form of 7% Unsecured 12 Month Promissory Note issued by Prodeco Technologies, LLC in Favor of Paymeon, Inc.	10-K	3/26/15	10.13	
10.13	Unsecured promissory note dated October 22, 2015 in the principal amount of \$300,000 issued to PDQ Auctions, LLC for leasehold improvements	8-K	10/28/15	10.1	
10.14	License Agreement entered on December 11, 2016 with RAW ENERGY MATERIALS, CORP.	10-Q	4/11/18	10.1	
10.15	First Amendment to License Agreement entered into on January 5, 2017 with RAW ENERGY MATERIALS, CORP.	10-Q	4/11/18	10.2	
10.16	Operating Agreement of Basalt America Territory 1, LLC	10-K	7/17/18	10.16	

10.17	Consulting agreement dated August 8, 2018 with David Anderson to become Interim Chief Executive Officer	10-Q	11/8/18	10.1	
10.18	Letter of resignation Ed Cespedes	10-K	7/17/18	10.18	
10.19	Membership interest purchase agreement to acquire 100% of the membership interests of Rockstar Acquisitions, LLC d/b/a Basalt America	10-K	7/17/18	10.19	
10.20	3-year extension to unsecured promissory note dated October 22, 2015 in the principal amount of \$300,000 issued to PDQ Auctions, LLC for leasehold improvements	10-K	7/17/18	10.20	
10.21	Consulting Agreement with BK Consulting, LLC				Filed
10.22	Form for all Notes payable related party convertible notes	10-K	7/17/18	10.23	
10.23	Related party 7% unsecured promissory note dated January 20, 2015 in the principal amount of \$75,000 from Prodeco Technologies, LLC	10-K	7/17/18	10.24	
10.24	Related party \$200,000 Secured Promissory Note and General Collateral Assignment and Security Agreement with CAM Group of Florida, LLC dated August 9, 2017	10-K	7/17/18	10.25	
10.25	Non-interest bearing demand note from a related party dated May 25, 2017 in the amount of \$10,000	10-K	7/17/18	10.26	
10.26	Non-interest bearing demand note from a related party dated June 2, 2017 in the amount of \$5,000	10-K	7/17/18	10.27	
10.27	Employment agreement with Dave Anderson, Executive Vice President and Chief Operating Officer	8-K	3/12/19	10.1	
10.28	First amendment to Employment Agreement with Dave Anderson, Executive Vice President and Chief Operating Officer	8-K	3/12/19	10.2	
10.29	Common Stock Warrant for 5,000,000 shares to Richard Krolewski	8-K/A	3/19/19	4.1	
10.30	Commercial Lease agreement between Basanite Industries LLC and CAMTOM, LLC	8-K	1/31/19	10.1	
10.31	Letter of resignation Vincent L. Celentano	8-K	1/24/19	99.1	
10.32	Extension agreement of four convertible notes payable due to a related party with a net principal balance of \$290,273 dated April 4, 2018 with new due date of December 31, 2018	10-Q	9/27/18	10.1	
10.33	Second amendment to PayMeOn, Inc. convertible promissory note dated October 22, 2015 with Mark Lechter and Scott Balson	10-Q	9/27/18	10.2	
10.34	Form of 4% Demand Note(s) with VCVC, LLC totaling \$152,500 dated May 9, 2018 through June 19, 2018	10-Q	9/27/18	10.3	
10.35	Form of the five unsecured, 4% percent, ninety-day promissory notes issued to RVRM Holdings, LLC totaling \$90,000	10-Q	9/27/18	10.4	
10.36	Conversion of \$378,000 debt plus accrued interest held by Vincent Celentano (et. al.) converted to equity				Filed
10.37	Form of Subscription Agreement used in connection with September 2018 through March 2019 private placement.				Filed

10.38	Form of Common Stock Warrant used in connection with September 2018 through March 2019 private placement.				Filed
14.1	Code of Ethics	10-K	4/5/12	14.1	Filed
21.1	List of subsidiaries of the Company				Filed
31.1	Certification Pursuant to Rule 13a-14(a)/15d-14(a)				Filed
31.2	Certification Pursuant to Rule 13a-14(a)/15d-14(a)				Filed
32.1	Certification Pursuant to Section 1350				Furnished
101.INS	XBRL Instance Document				Filed
101.SCH	XBRL Taxonomy Extension Schema Document				Filed
101.CAL	XBRL Taxonomy Calculation Linkbase Document				Filed
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document				Filed
101.LAB	XBRL Taxonomy Extension Label Linkbase Document				Filed
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document				Filed

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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: March 28, 2019

Basanite, Inc.

By: /s/ Dave Anderson
Dave Anderson
Interim Chief Executive Officer and Interim Principal
Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Ronald J. LoRicco, Sr.</u> Ronald J. LoRicco, Sr.	Director	March 28, 2019
<u>/s/ Paul M. Sallarulo</u> Paul M. Sallarulo	Director	March 28, 2019
<u>/s/ Frank Monti, Sr.</u> Frank Monti, Sr.	Director	March 28, 2019
<u>/s/ Michael V. Barbera</u> Michael V. Barbera	Director	March 28, 2019

INDEX TO FINANCIAL STATEMENTS
BASANITE, INC. AND SUBSIDIARIES
FORMERLY PAYMEON, INC.
CONSOLIDATED FINANCIAL STATEMENTS

	<u>Page</u>
Report of Independent Registered Public Accounting Firm for the year ended December 31, 2018	F-2
Consolidated Balance Sheets	F-3
Consolidated Statements of Operations	F-4
Consolidated Statements of Stockholders' Equity (Deficit)	F-5
Consolidated Statements of Cash Flows	F-7
Notes to Consolidated Financial Statements	F-9

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
of Basanite Industries, Inc. (formerly PayMeOn, Inc.) and Subsidiaries

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Basanite Industries, Inc. (formerly PayMeOn, Inc.) and Subsidiaries (the “Company”) as of December 31, 2018 and 2017, the related consolidated statements of operations, changes in stockholders’ equity (deficit), and cash flows for the years then ended, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2018 and 2017, and the results of its consolidated operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal controls over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Going Concern Consideration

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, the Company has sustained significant operating losses and needs to obtain additional financing to continue the services they provide. These conditions raise substantial doubt about the Company’s ability to continue as a going concern. Management’s plans in regard to these matters are also described in Note 1. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ **KBL, LLP**

We have served as the Company’s auditor since 2017.

KBL, LLP
New York, NY
March 28, 2019

BASANITE, INC. AND SUBSIDIARIES
(FORMERLY PAYMEON, INC.)
CONSOLIDATED BALANCE SHEETS

	December 31, 2018	December 31, 2017
ASSETS		
CURRENT ASSETS		
Cash	\$ 121,831	\$ 188,738
Accounts receivable, net	883	—
Inventory	56,586	380,265
Prepaid expenses	83,177	57,793
Other current assets	24,000	24,000
TOTAL CURRENT ASSETS	<u>286,477</u>	<u>650,796</u>
Fixed assets, net	23,700	456,709
Licensing agreements, net	—	447,260
Deposits	200,000	1,060,000
	<u>223,700</u>	<u>1,963,969</u>
TOTAL ASSETS	<u>\$ 510,177</u>	<u>\$ 2,614,765</u>
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES		
Accounts payable	\$ 1,002,238	\$ 323,116
Due to related party	3,422	51,048
Accrued expenses	633,047	1,224,716
Liabilities for discontinued operation	—	51,568
Notes payable	—	30,000
Notes payable - related party	325,425	200,000
Liability for stock to be issued	—	100,000
Note payable – convertible	293,524	300,000
Notes payable related party- convertible	290,273	290,273
TOTAL CURRENT LIABILITIES	<u>2,547,929</u>	<u>2,570,721</u>
TOTAL LIABILITIES	2,547,929	2,570,721
COMMITMENTS AND CONTINGENCIES (SEE NOTE 11)	—	—
STOCKHOLDERS' EQUITY (DEFICIT)		
Preferred stock, \$0.001 par value, 5,000,000 shares authorized, none issued and outstanding, respectively	—	—
Common stock, \$0.001 par value, 1,000,000,000 shares authorized, 154,202,008 and 128,305,800 shares issued and outstanding, respectively as of September 30, 2018 and December 31, 2017	154,202	128,306
Additional paid in capital	18,718,283	14,917,066
Subscription receivable	—	(500)
Accumulated deficit	(21,135,252)	(15,225,303)
TOTAL STOCKHOLDERS' EQUITY (DEFICIT) - CONTROLLING INTEREST	<u>(2,262,767)</u>	<u>(180,431)</u>
Non-controlling interest	225,015	224,475
TOTAL STOCKHOLDERS' EQUITY (DEFICIT)	<u>(2,037,752)</u>	<u>44,044</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)	<u>\$ 510,177</u>	<u>\$ 2,614,765</u>

See accompanying notes to consolidated financial statements.

BASANITE, INC. AND SUBSIDIARIES
(FORMERLY PAYMEON, INC.)
CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Years ended December 31,	
	2018	2017
Revenue		
Products Sales - Rebar	\$ 87,836	\$ 9,664
Total revenue	<u>87,836</u>	<u>9,664</u>
Total cost of goods sold	<u>91,085</u>	<u>5,860</u>
Gross profit (loss)	<u>(3,249)</u>	<u>3,804</u>
OPERATING EXPENSES		
Professional fees	234,668	251,971
Payroll and payroll taxes	249,046	333,511
Consulting	628,525	933,548
General and administrative	2,203,741	836,330
Bad debt expense	79,569	—
Total operating expenses	<u>3,395,549</u>	<u>2,355,360</u>
NET LOSS FROM OPERATIONS	<u>(3,398,798)</u>	<u>(2,351,556)</u>
OTHER EXPENSES		
Loss on share issuance for extension of debt	(90,061)	(72,000)
Loss on impairment of license	(396,849)	—
Loss on inventory obsolescence	(240,121)	—
Loss on forfeiture of deposit	(1,260,000)	—
Loss on fixed asset impairment	(395,742)	—
Interest on judgement	(18,471)	(18,472)
Interest expense	(88,523)	(79,851)
Total other expenses	<u>(2,489,767)</u>	<u>(170,323)</u>
LOSS FROM CONTINUING OPERATIONS BEFORE PROVISION FOR INCOME TAXES AND (LOSS) FROM DISCONTINUED OPERATIONS	<u>(5,888,565)</u>	<u>(2,521,879)</u>
(LOSS) FROM DISCONTINUED OPERATIONS	<u>(20,844)</u>	<u>(413,208)</u>
Net loss before provision for income taxes	<u>(5,909,409)</u>	<u>(2,935,087)</u>
Provision for income taxes	<u>—</u>	<u>—</u>
NET LOSS	<u>(5,909,409)</u>	<u>(2,935,087)</u>
Net (income) loss attributable to non-controlling interest	540	25
Net (income) loss attributable to controlling interest	<u>\$ (5,909,949)</u>	<u>\$ (2,935,112)</u>
Net loss per share - basic and diluted		
Continuing operations	\$ (0.044)	\$ (0.024)
Discontinued operations	\$ (0.000)	\$ (0.004)
Total	<u>\$ (0.044)</u>	<u>\$ (0.028)</u>
Weighted average number of shares outstanding - basic and diluted	<u>135,126,733</u>	<u>104,587,211</u>

See accompanying notes to consolidated financial statements.

BASANITE, INC. AND SUBSIDIARIES
(FORMERLY PAYMEON, INC.)
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIT)
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Subscription Receivable	Non- controlling Interest	Total Stockholders' Deficit
	Shares	Par Value	Shares	Par Value					
Balance December 31, 2016	—	\$ —	97,680,242	\$ 97,680	\$ 10,174,836	\$ (12,290,191)	\$ —	\$ —	\$ (2,017,675)
Purchase of Rockstar for stock	—	—	95,500,000	15,000	985,000	—	—	—	1,000,000
Shares issued to convert debt	—	—	2,248,620	2,249	366,087	—	—	—	368,336
Share issuance for extension of debt (recorded as loss on share issuance for extension of debt)	—	—	200,000	200	71,800	—	—	—	72,000
Stock-based compensation	—	—	—	—	815,790	—	—	—	815,790
Stock issued for cash	—	—	9,446,938	9,447	2,166,733	—	—	—	2,176,180
Shares issued for services	—	—	3,730,000	3,730	58,770	—	—	—	62,500
Interest in joint venture - Basalt Territory 1	—	—	—	—	278,050	—	—	—	278,050
Subscription receivable	—	—	—	—	—	—	(500)	—	(500)
Non-controlling interest	—	—	—	—	—	—	—	224,450	224,450
Net income (loss)	—	—	—	—	—	(2,935,112)	—	25	(2,935,087)
Balance December 31, 2017	—	\$ —	128,305,800	\$ 128,306	\$ 14,917,066	\$ (15,225,303)	\$ (500)	\$ 224,475	\$ 44,044

See accompanying notes to consolidated financial statements.

BASANITE, INC. AND SUBSIDIARIES
(FORMERLY PAYMEON, INC.)
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIT) (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Subscription Receivable	Non- controlling Interest	Total Stockholders' Deficit
	Shares	Par Value	Shares	Par Value					
Balance December 31, 2017	—	\$ —	128,305,800	\$ 128,306	\$ 14,917,066	\$ (15,225,303)	\$ (500)	\$ 224,475	\$ 44,044
Shares issued to convert debt	—	—	3,866,667	3,867	286,133	—	—	—	290,000
Stock-based compensation	—	—	4,500,000	4,500	1,656,604	—	—	—	1,661,104
Stock issued for cash	—	—	17,754,966	17,755	1,452,485	—	—	—	1,470,240
Shares issued for debt extension	—	—	274,575	275	89,786	—	—	—	90,061
Shares cancelled	—	—	(500,000)	(500)	500	—	—	—	—
Related party forgiveness of debt	—	—	—	—	315,709	—	—	—	315,709
Subscription receivable	—	—	—	—	—	—	500	—	500
Net income (loss)	—	—	—	—	—	(5,909,949)	—	540	(5,909,409)
Balance December 31, 2018	—	\$ —	154,202,008	\$ 154,202	\$ 18,718,283	\$ (21,135,252)	\$ —	\$ 225,015	\$ (2,037,752)

See accompanying notes to consolidated financial statements.

BASANITE, INC. AND SUBSIDIARIES
(FORMERLY PAYMEON, INC.)
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Years ended December 31,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss attributable to controlling interests	\$ (5,909,949)	\$ (2,935,112)
Adjustments to reconcile net loss to net cash used in operating activities:		
Non-controlling interest adjustment	540	25
Bad debt expense	79,569	—
Depreciation	40,202	18,638
Amortization of debt discount	—	10,407
Loss on share issuance for extension of debt	90,061	72,000
Loss on impairment of license	396,849	—
Loss on inventory obsolescence	240,121	—
Loss on forfeiture of deposit	1,260,000	—
Loss on impairment of equipment	395,742	—
Stock-based compensation	1,661,104	815,790
Loss on leasehold and deposit	—	221,328
Amortization of license agreement	50,411	50,000
Common stock issued for services	—	62,500
Changes in operating assets and liabilities:		
(Increase) in prepaid expense	(25,384)	(9,431)
(Increase) decrease in inventory	83,559	(377,184)
(Increase) decrease in accounts receivable	(80,452)	8,835
(Increase) in other current assets	—	(22,806)
(Decrease) in accounts payable - related party	—	(500,000)
(Decrease) in customer deposits	—	(34,634)
Increase in accounts payable and accrued expenses	318,967	321,219
Net cash used in operating activities	<u>(1,398,660)</u>	<u>(2,298,425)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of equipment	(2,935)	(456,881)
Deposits on machinery – other	(200,000)	—
Deposits on machinery and equipment – RAW	(200,000)	(1,060,000)
Net cash used in investing activities	<u>(402,935)</u>	<u>(1,516,881)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of convertible notes payable	(6,476)	—
Repayment to related party	—	(5,589)
Proceeds from notes payable - related party	416,325	215,000
Repayment of purchase order financing	—	(1,885)
Proceeds from notes payable	—	30,000
Repayment of principal on notes payable	(30,000)	—
Repayment of note payable - related party	(15,900)	—
Sale of JV interest	—	502,500
Proceeds from sale of common stock	1,370,739	3,175,680
Net cash provided by financing activities	<u>1,734,688</u>	<u>3,915,706</u>
NET INCREASE (DECREASE) IN CASH	(66,907)	100,400
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>188,738</u>	<u>88,338</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 121,831</u>	<u>\$ 188,738</u>

See accompanying notes to consolidated financial statements.

BASANITE, INC. AND SUBSIDIARIES
(FORMERLY PAYMEON, INC.)
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

	For the Years ended December 31,	
	2018	2017
Supplemental cash flow information:		
Cash paid for income taxes	\$ —	\$ —
Cash paid for interest expense	\$ 7,002	\$ —
Supplemental disclosure of non-cash investing and financing activities:		
Related party forgiveness recorded as additional paid-in capital	\$ 315,709	\$ —
Conversion of debt into common shares	\$ 290,000	\$ —

See accompanying notes to consolidated financial statements.

BASANITE, INC. AND SUBSIDIARIES
(FORMERLY PAYMEON, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 1 – ORGANIZATION, NATURE OF BUSINESS AND GOING CONCERN

(A) Organization

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

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

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

On February 12, 2019, as a result of the termination of the RAW License Agreement, the Company agreed to settle with the non-controlling investors in Basalt America Territory 1, LLC to unwind this investment. In the settlement, the Company agreed to issue 2,010,000 restricted common shares at a value representing the original investment of \$502,500 (\$0.25 per share). The non-controlling investors were issued these shares on March 21, 2019 and the Company will take control of the previous 44.7% of Basalt America Territory 1, LLC formerly representing the non-controlling interest as of December 31, 2018 in the accompanying consolidated financial statements.

During the second quarter of 2017, we also created Basalt America Territory 2, LLC to manage the sales, distribution and marketing of our products for the state of Rhode Island. The joint venture is to be owned 50% by Basalt America and 50% by a third-party investor. Despite Basalt America Territory 2, LLC being formed, there has not been any operations or investments in this entity.

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

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

BASANITE, INC. AND SUBSIDIARIES
(FORMERLY PAYMEON, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

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

(A) Organization (Continued)

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

On August 8, 2018, the Company entered into a six-month agreement with David Anderson to act as its Interim Chief Executive Officer and Interim Principal Financial Officer. The Company and Dave Anderson entered into an employment agreement dated February 1, 2019. Pursuant to the employment agreement, the Company agrees to employ Dave Anderson as the Executive Vice President and Chief Operating Officer.

As provided in an addendum to this employment agreement, Dave Anderson has agreed to remain as the Interim Chief Executive Officer and Interim Principal Accounting Officer until a suitable replacement can be found. Once that occurs, Dave Anderson will become the Executive Vice President and Chief Operating Officer. There will be no additional compensation to Dave Anderson for these services.

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

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

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

On December 18, 2018, the Company changed its name with the Nevada Secretary of State from PayMeOn, Inc. to Basanite, Inc. with an effective date of December 19, 2018. Beginning on December 27, 2018, the Company's common stock was listed for quotation on OTC Markets under the symbol "BASA" and will no longer be listed under the symbol "PAYM". Neither the name nor the symbol change affects the rights of the Company's shareholders and the shareholders of the Company are not required to take any action as a result of the name or symbol change.

On January 24, 2019, Vincent L. Celentano submitted notice of his resignation as a member of the Board of Directors of the Company, effective immediately. Mr. Celentano was not a member of any committee of Board. Mr. Celentano's resignation was not as a result of any disagreement with the Company, the Board, or the Company's independent auditor. A copy of Mr. Celentano's resignation letter was attached to Form 8-K Current report filed on January 30, 2019.

On February 11, 2019, Michael V. Barbera was appointed as a member of the Board of Directors of Basanite, Inc. Mr. Barbera has not been appointed to any committees of the Board of Directors as of the date of this filing.

(B) Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Basanite, Inc. and its wholly owned subsidiaries, PayMeOn Brands, Inc, HLM PayMeOn, Inc., Basanite Industries, LLC, Xtreme Fat Tire Bike Holdings. LLC, Basalt America, and Basalt America Territory 1, LLC, a majority owned subsidiary. As discussed in Note 5, the Company, effective September 30, 2018 disposed of HLM PayMeOn, Inc. and PayMeOn Brands, Inc. 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 December 31, 2018, the Company has an accumulated deficit of \$21,135,252, a working capital deficiency of \$2,261,452 and cash used in operations of \$1,398,660 for the year ended December 31, 2018. Losses have principally occurred as a result of the substantial resources required for product development and marketing of the Company's products which included the general and administrative expenses associated with its organization and product development.

BASANITE, INC. AND SUBSIDIARIES
(FORMERLY PAYMEON, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

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

(C) Going Concern (Continued)

Post the acquisition of Basalt America and commencement of production related to the products the Company will require substantial additional investment in plant and equipment. As of December 31, 2018, as a result of the failure to amicably settle any and all disagreements with RAW, the Company has written off or impaired the following amounts: \$1,200,000 in deposits paid towards machinery and equipment that were never received, \$60,000 for deposits on materials that have not been received, impaired \$395,742 in net machinery and equipment as the Company determined the machinery and equipment purchased and received was in poor condition and could not manufacture and produce the rebar in accordance with company and industry standards, as well as inventory obsolescence of \$240,121 as the inventory received and paid for in the initial purchase from RAW was in poor condition and unable to be sold. As a result of the impairment and the write-off of these amounts, the Company has suffered material operating losses and growing working capital deficiencies. These factors could have an effect on the Company's ability to raise capital in the future. 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

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 December 31, 2018.

(B) Use of Estimates in Financial Statements

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

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

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

- Level 1-Inputs are unadjusted quoted prices in active markets for identical assets or liabilities available at the measurement date.
- Level 2-Inputs are unadjusted quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, inputs other than quoted prices that are observable, and inputs derived from or corroborated by observable market data.

BASANITE, INC. AND SUBSIDIARIES
(FORMERLY PAYMEON, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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, 2018, the Company has recorded \$3,398 as an allowance for bad debts compared to no allowance at December 31, 2017.

(E) Inventories

The Company's inventories consist of raw materials and finished goods, both purchased and manufactured. Inventories are stated at lower of cost or market. Cost is determined on the first-in, first-out basis. As of December 31, 2018, the Company has recorded an allowance for the valuation of the inventory in an attempt to value the inventory at expected realizable sales value or to fully impair as in the case of obsolescence. Items were considered on an item by item basis to determine carrying value. Expected realizable sales value is intended to approximate market value whereas any type of market pricing valuation would be cost prohibitive however the Company does feel that some of the inventory has a realizable value although this inventory may remain on hand for a substantial period of time. The Company will continue to monitor these values and further impair, if necessary. As of December 31, 2018, the inventory cost was impaired by \$240,121. As of December 31, 2017, the Company did not make an entry relative to impairment or inventory obsolescence.

(F) Fixed assets

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

The Company has adopted the provisions of ASC 350-50-15, "Accounting for Web Site Development Costs." Costs incurred in the planning stage of a website are expensed as research and development while costs incurred in the development stage are capitalized and amortized over the life of the asset, estimated to be three years. These assets are fully depreciated. During the year ended December 31, 2018, the Company recognized a loss on fixed asset impairment of \$395,742 compared to no impairment as of December 31, 2017.

BASANITE, INC. AND SUBSIDIARIES
(FORMERLY PAYMEON, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(F) Fixed assets (Continued)

<u>Asset Category</u>	<u>Depreciation/ Amortization Period</u>
Machinery and equipment	5 -12 Years
Website costs	5 Years
Computer equipment	3 Years

Fixed assets consist of the following:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Computer equipment	\$ 13,813	\$ 13,605
Machinery and equipment, net impairment	20,000	450,000
Website development	24,775	24,775
Total	58,588	488,380
Accumulated depreciation	(34,888)	(31,671)
Balance	\$ 23,700	\$ 456,709

During the year ended December 31, 2018, the company disposed of \$429,750 of assets and its accompanying accumulated depreciation, resulting in a loss on impairment of fixed assets of \$395,472, as well as \$250 that was expensed as non-capitalizable equipment which was previously capitalized as Machinery at December 31, 2017. During the year ended December 31, 2017 the Company identified leasehold improvements that were impaired in the amount of \$300,000. The Company recognized a loss on the impairment of \$221,328, reflected in the loss from discontinued operations. Depreciation expense for the year ended December 31, 2018 and 2017 was \$40,202 and \$18,638 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 was originally payable on or before October 22, 2017 (subsequently extended until May 2021, see below), unless the note was converted or prepaid prior to the maturity date. Subject to certain limitations below, the note may be converted at any time, at the option of the holder, into shares of the Company's common stock at a conversion price of \$0.35 per share, subject to adjustment. In the event the Company issues any new or additional promissory notes that pay an interest rate that exceeds 7% per annum (subsequently increased to 10%), then the holder shall be entitled to request an increase in the interest rate payable on the note to an amount equal to the rate being paid on the new or additional notes (which occurred on September 22, 2017, see below). The conversion of the note may be limited if, upon conversion, the holder thereof would beneficially own more than 4.9% of the Company's common stock. The note may be prepaid at the option of the Company commencing 190 days after the issuance of the note. On September 22, 2017, the Company issued a total of 200,000 shares of common stock valued at \$72,000 (\$0.38 per share) in conjunction with an extension of the note to April 22, 2018. The interest rate on the Note was also increased to 10% per annum. The modifications to the debt was reflected as a material modification in the Company's quarter ended December 31, 2017. On May 2, 2018, the Company secured a three-year extension of the convertible note in return for (1) a \$5,000 per month payment applicable to current interest and principal beginning on April 22, 2018, and (2) the issuance of 274,575 new, restricted common shares. The shares were issued on June 13, 2018. The Company has begun making payments but is not current with payments required by the extension. The modifications to this debt instrument are reflected as a material modification in the Company's financial statements as of December 31, 2018 in the amount of \$90,061 and reflected as a loss on share issuance for extension of debt on the Company's statement of operations. The Company is currently in default under this note resultant from failing to maintain payments of \$5,000 per month. As of December 31, 2018, the Company has made payments totaling \$13,000, applied pro-ratably to principal and interest, thereby reducing the note payable balance to \$293,524. As of December 31, 2018, this note had accrued interest of \$68,267 that is included in accrued expenses on the consolidated balance sheet at December 31, 2018.

BASANITE, INC. AND SUBSIDIARIES
(FORMERLY PAYMEON, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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. In the year ended December 31, 2018, the Company, based upon their analysis recorded a loss on impairment of machinery and equipment in the amount of \$395,742, recorded a loss on the impairment of a license fee of \$396,849, recorded a loss on the forfeiture of deposits for machinery and equipment and materials in the amount of \$1,260,000, and recorded a loss on the obsolescence of inventory in the amount of \$240,121. Each of these items are reflected as Other Expense in the Company's Consolidated Statements of Operations. During the year ended December 31, 2017, the Company determined that no impairment was necessary on any assets.

(H) Revenue Recognition

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

Under ASC 606, in order to recognize revenue, the Company is required to identify an approved contract with commitments to preform respective obligations, identify rights of each party in the transaction regarding goods to be transferred, identify the payment terms for the goods transferred, verify that the contract has commercial substance and verify that collection of substantially all consideration is probable. The adoption of ASC 606 did not have an impact on the Company's operations or cash flows as it relates to revenue for Basalt America. The Company recorded revenue upon completion of the performance obligations and expects payment within 30 to 60 days of billing. All revenue for 2018 related to sales of rebar.

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. The Company has not recorded any liability for product warranties for the years ended December 31, 2018 and 2017.

Discontinued Operations

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

BASANITE, INC. AND SUBSIDIARIES
(FORMERLY PAYMEON, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

Dilutive shares not included in loss per share computation	December 31, 2018	December 31, 2017
Options	2,587,500	5,600,000
Warrants	18,025,000	5,650,000
Convertible shares	2,715,897	2,586,746
Shares issuable	—	333,333
	<u>23,328,397</u>	<u>14,170,079</u>

(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.

(M) Reclassification

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

BASANITE, INC. AND SUBSIDIARIES
(FORMERLY PAYMEON, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(N) Segment Information

In accordance with the provisions of ASC 280-10, “Disclosures about Segments of an Enterprise and Related Information”, the Company is required to report financial and descriptive information about its reportable operating segments. The Company prior to March 19, 2018 when they decided to dispose of the electric bicycles and apparel lifestyle brands segment to focus entirely on the concrete reinforcement products made from basalt fiber, which was disposed of on September 30, 2018, had three segments in 2017. As a result of this strategic shift and in accordance with ASC 205-20-45-1E has reclassified two of these segments as assets and liabilities of discontinued operations. Therefore, the Company only operates in one segment and has not presented segment reporting for the years ended December 31, 2018 and 2017.

(O) Income Taxes

The Company accounts for income taxes under FASB ASC Topic 740-10-25 (“ASC 740-10-25”). Under ASC 740-10-25, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under ASC 740-10-25, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

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

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

	December 31, 2018	December 31, 2017
Expected income tax (benefit) expense at the statutory rate of 24.63% (37.63% for 2017)	\$ (2,559,952)	\$ (1,104,465)
Tax effect of expenses that are not deductible for income tax purposes (net of other amounts deductible for tax purposes) – permanent differences	136,870	136,870
Change in valuation allowance	2,423,082	967,595
Provision for income taxes	\$ —	\$ —

BASANITE, INC. AND SUBSIDIARIES
(FORMERLY PAYMEON, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(O) Income Taxes (Continued)

The components of deferred income taxes are as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Deferred income tax asset - related to stock-based compensation and impairment (permanent differences)	\$ 756,064	\$ 756,064
Net operating loss carryforwards	4,897,130	3,092,148
Effect of TCJA recalculation	(1,366,527)	(1,366,527)
Valuation allowance	(4,286,667)	(2,481,685)
Deferred income taxes	<u>\$ —</u>	<u>\$ —</u>

As of December 31, 2018, the Company had a net operating loss carry forward of approximately \$13,558,400. As of December 31, 2017, the Company had a net operating loss carry forward of approximately \$8,200,000 available to offset future taxable income through 2037. All losses that occur after December 31, 2017, are available to offset future taxable income and do not expire. This results in deferred tax assets of approximately \$4,300,000 and \$2,500,000 as of December 31, 2018 and 2017, offset by a valuation allowance which was approximately \$4,300,000 and \$2,500,000 at December 31, 2018 and December 31, 2017. The change in the valuation allowance from December 31, 2018 over December 31, 2017 was an increase of approximately \$1,800,000. Tax returns for the last three years are subject to examination by the Internal Revenue Service.

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

(P) Noncontrolling Interests in Consolidated Financial Statements

Accounting guidance on non-controlling interests in consolidated financial statements requires that a non-controlling interest in the equity of a subsidiary be accounted for and reported as equity, provides revised guidance on the treatment of net income and losses attributable to the non-controlling interest and changes in ownership interests in a subsidiary and requires additional disclosures that identify and distinguish between the interests of the controlling and non-controlling owners. Net loss attributable to the non-controlling interests totaling \$540 and \$25 for the year ended December 31, 2018 and 2017, respectively are included in the consolidated financial statements.

On February 12, 2019, as a result of the termination of the RAW License Agreement, the Company agreed to settle with the non-controlling investors in Basalt America Territory 1, LLC to unwind this investment. In the settlement, the Company agreed to issue 2,010,000 restricted common shares at a value representing the original investment of \$502,500 (\$0.25 per share). The non-controlling investors were issued these shares on March 21, 2019 and the Company will take control of the previous 44.7% of Basalt America Territory 1, LLC formerly representing the non-controlling interest as of December 31, 2018 in the accompanying consolidated financial statements.

BASANITE, INC. AND SUBSIDIARIES
(FORMERLY PAYMEON, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 3 – RECENT ACCOUNTING PRONOUNCEMENTS

In June 2018, the FASB issued ASU 2018-07 *Compensation – Stock Compensation (Topic 718), Improvements to Nonemployee Share-Based Payment Accounting*. This ASU is intended to simplify aspects of share-based compensation issued to non-employees by making the guidance consistent accounting for employee share-based compensation. It is effective for annual reporting periods, and interim periods within those years, beginning after December 15, 2018. The Company does not believe that there will be a material impact of the adoption of ASU 2018-07 on its consolidated financial statements.

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

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

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*. The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases. The new guidance will be effective for annual reporting periods beginning after December 15, 2018, including interim periods within that reporting period and is applied retrospectively. The Company will adopt this standard effective January 1, 2019 using the modified retrospective model. Discussion of the impact of this standard is included in Note 11 – Commitments and Contingencies.

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

NOTE 4 – ACQUISITION OF BASALT AMERICA

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

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

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

BASANITE, INC. AND SUBSIDIARIES
(FORMERLY PAYMEON, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 5 – DISCONTINUED OPERATIONS

On March 19, 2018, the Board of Directors of the Company approved the disposal of HLM Paymeon, Inc. and Paymeon Brands, Inc. as they made a strategic shift into the basalt fiber reinforced polymer business with the acquisition of Basalt America. The disposal of HLM Paymeon, Inc. was effective September 30, 2018. As a result of this disposal under ASC 205-20-45-1E, the Company has presented the assets and liabilities of this segment as assets and liabilities of discontinued operations and have reclassified the prior year balances to reflect this strategic shift.

BASANITE, INC. AND SUBSIDIARIES
STATEMENT OF DISCONTINUED OPERATIONS

	For the Years Ended December 31,	
	2018	2017
Revenues	\$ 16,460	\$ 37,909
Cost of goods sold	33,529	39,663
Gross (loss)	(17,069)	(1,754)
Operating expenses:		
General and administrative	3,775	78,168
Payroll expense	—	7,320
Consulting	—	86,172
Depreciation and amortization expense	—	18,466
Loss on lease	—	221,328
Total expense from discontinued operations	3,775	411,454
(Loss) from discontinued operations	\$ (20,844)	\$ (413,208)

BASANITE, INC. AND SUBSIDIARIES
BALANCE SHEETS FROM DISCONTINUED OPERATIONS

	December 31, 2018	December 31, 2017
Liabilities from discontinued operations	\$ —	\$ 51,568

As of December 31, 2018, all liabilities associated with the discontinued operation were transferred to parent company. As a result, there was no gain or loss associated with the disposal of this subsidiary.

BASANITE, INC. AND SUBSIDIARIES
(FORMERLY PAYMEON, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 6 – NOTES PAYABLE – RELATED PARTY – CONVERTIBLE

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

Interest expense for the Company's related party convertible notes payable for the year ended December 31, 2018 was \$26,460, compared to \$43,151 for the year ended December 31, 2017. Accrued interest for the Company's related party convertible notes payable at December 31, 2018 and 2017 was \$127,047 and \$100,587.

(a) The Company entered into two secured convertible promissory notes in the principal amount in total of \$165,500 to a related party. The notes bear interest at an annual rate of 7% and were payable on or before twelve months from the date of issuance (both of which were extended as noted herein). In addition, the note may be converted at any time, at the option of the holder, into shares of the Company's common stock at a conversion price of \$0.345 per share, subject to adjustment for stock splits and dividends. The Company recorded a debt discount of \$165,500 for the fair value of the beneficial conversion feature. As of December 31, 2014, the Company amortized \$165,500 of the debt discount. On April 15, 2014, the note holder agreed to extend the note through December 23, 2014. On December 23, 2015, the note holder agreed to extend the note through December 23, 2016. On March 15, 2017 note holder agreed to extend the note through December 31, 2017. On August 7, 2017 the note holder agreed to extend the note through December 31, 2018. As of December 31, 2018 and 2017, these two notes had accrued interest of \$69,637 and \$58,052, respectively. On March 14, 2019 this note principal and interest in the amount of \$236,946 (which includes interest accrued through February 26, 2019) was converted into 686,600 common restricted shares of the Company (\$0.345 per share).

(b) The Company entered into various unsecured convertible promissory note in the total principal amount of \$110,691 to a related party. The note bears interest at an annual rate of 7% and were payable on or before twelve months from the date of issuance (all of which were extended as noted herein). In addition, the note may be converted at any time, at the option of the holder, into shares of the Company's common stock at a conversion price of \$0.12 per share, subject to adjustment. The Company recorded a debt discount of \$90,416 for the fair value of the beneficial conversion feature. The note holder agreed to extend the note through May 15, 2016. On May 15, 2016, the note holder agreed to extend the note through May 15, 2017, On August 7, 2017 the note holder agreed to extend the note through December 31, 2018. During the year ended December 31, 2017 the holder of the notes agreed to convert \$100,691 of notes and \$20,432 of accrued interest into 1,009,358 shares of common stock. As of December 31, 2018 and 2017, the Company fully amortized the debt discount and accrued interest amounted to \$2,919 and \$2,219, respectively On March 14, 2019 this note principal and interest in the amount of \$13,028 (which includes interest accrued through February 26, 2019) was converted into 108,567 common restricted shares of the Company (\$0.12 per share).

BASANITE, INC. AND SUBSIDIARIES
(FORMERLY PAYMEON, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 6 – NOTES PAYABLE – RELATED PARTY – CONVERTIBLE (CONTINUED)

(c) The Company entered into various unsecured convertible promissory note in the principal amount of \$239,975 to a related party. The note bears interest at an annual rate of 7% and were payable on or before twelve months from the date of issuance (all of which were extended as noted herein). In addition, the note may be converted at any time, at the option of the holder, into shares of the Company's common stock at a conversion price of \$0.20 per share, subject to adjustment. On August 13, 2016 the note holder agreed to extend the note through June 9, 2017. On August 7, 2017 the note holder agreed to extend the note through December 31, 2018. The Company recorded a debt discount of \$217,700 for the fair value of the beneficial conversion feature. During the year ended December 31, 2017 the holder of the notes agreed to convert \$219,975 of notes payable and accrued interest of \$25,013 into 1,224,940 shares of common stock. As of December 31, 2018 and 2017 the Company fully amortized the debt discount and accrued interest amounted to \$4,745 and \$3,345, respectively. On March 14, 2019 this note principal and interest in the amount of \$24,963 (which includes interest accrued through February 26, 2019) was converted into 124,815 common restricted shares of the Company (\$0.20 per share).

(d) The Company entered various unsecured convertible promissory notes in the principal amount of \$182,500 to a related party. The note bears interest at an annual rate of 7% and were payable on or before twelve months from the date of issuance (all of which were extended as noted herein). In addition, the note may be converted at any time, at the option of the holder, into shares of the Company's common stock at a conversion price of \$0.30 per share, subject to adjustment. On November 20, 2015, the note holder agreed to extend the note through April 30, 2016. On August 13, 2016 the note holder agreed to extend the note through April 30, 2017. On August 7, 2017 note holder agreed to extend the note through December 31, 2018. The Company recorded a debt discount of \$183,500 for the fair value of the beneficial conversion feature. During the year ended December 31, 2017 the holder of the notes agreed to convert \$1,882 of notes payable and accrued interest of \$343 into 7,417 shares of common stock. As of December 31, 2018 and 2017 the Company fully amortized the debt discount and had accrued interest of \$49,746 and \$36,972, respectively. On March 14, 2019 this note principal and interest in the amount of \$234,241 (which includes interest accrued through February 26, 2019) was converted into 780,803 common restricted shares of the Company (\$0.30 per share).

(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. Upon the conversion of the aforementioned notes, \$87,727 will be offset against 4% demand notes, including interest issued to VCVC, LLC during the year ended December 31, 2018.

All convertible notes payable from Vincent L. Celentano and his related entities will no longer be considered related party debt effective January 24, 2019 as he has resigned from the Board of Directors and no longer has an affiliation with the Company.

NOTE 7 – NOTE PAYABLE – CONVERTIBLE

On October 22, 2015, the Company issued an unsecured promissory note in the principal amount of \$300,000 to PDQ Auctions, LLC ("PDQ Note") for leasehold improvements of the facilities subleased from PDQ Auctions, LLC. The note bears interest at an annual rate of 7% and was originally payable on or before October 22, 2017 (subsequently extended until May 2021, see below), unless the note was converted or prepaid prior to the maturity date. Subject to certain limitations below, the note may be converted at any time, at the option of the holder, into shares of the Company's common stock at a conversion price of \$0.35 per share, subject to adjustment. In the event the Company issues any new or additional promissory notes that pay an interest rate that exceeds 7% per annum, then the holder shall be entitled to request an increase in the Interest rate payable on the note to an amount equal to the rate being paid on the new or additional notes (which occurred on September 22, 2017, see below). The conversion of the note may be limited if, upon conversion, the holder thereof would beneficially own more than 4.9% of the Company's common stock. The note may be prepaid at the option of the Company commencing 190 days after the issuance of the note. As of December 31, 2018 and 2017, principal balance on this note was \$293,524 and \$300,000, respectively. As of December 31, 2018 and 2017 accrued interest amounted to \$66,558 and \$46,027, respectively.

BASANITE, INC. AND SUBSIDIARIES
(FORMERLY PAYMEON, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 7 – NOTE PAYABLE – CONVERTIBLE (CONTINUED)

On September 22, 2017, the Company issued a total of 200,000 shares of common stock valued at \$72,000 (\$0.38 per share) in conjunction with an extension of the note to April 22, 2018. The interest rate on the Note was also increased to 10% per annum. In accordance with ASC 470-50 *Debt Modifications and Extinguishments*, the issuance of the 200,000 shares having a market value of \$72,000 at the point of issuance effectively created a new debt instrument due the present value of the cash flow under the terms of the new debt instrument was at least 10 percent different from the present value of the remaining cash flow under the terms of the original instrument using a discount rate 7% based on the original debt issuance rate. As a result, the modification to this debt instrument has been reflected as a material modification in the Company's consolidated statement of operations for the year ended December 31, 2017. On May 2, 2018, the Company secured a three-year extension of the convertible note in return for (1) a \$5,000 per month payment applicable evenly towards interest and principal beginning on April 22, 2018, and (2) the issuance of 274,575 new, restricted common shares. The shares were issued on June 13, 2018. The interest on the Note shall be 10% for the remaining life of the subject loan. However, if the Company enters into any additional agreements obligating itself to pay interest in excess of 10% per annum, the Company shall timely notify Lender, and shall provide copies of any such obligation. In that event, the interest rate for the Note and this Amendment shall be changed to equal interest being paid under the other obligations. The Company has begun making monthly payments but is not current as required by the extension and is therefore in default under this agreement. As a result, the Company has classified this not as a current liability. Additionally, as a result of this extension, the modification to this debt instrument will be reflected as a material modification in the Company's consolidated statement of operations in the year ended December 31, 2018 in the amount of \$90,061. On January 18, 2019, the Company entered into two convertible notes bearing an interest rate of 15%. Under terms of the PDQ Note the rate of interest on the note will be increased to 15% effective January 18, 2019.

Interest expense for the Company's convertible notes payable for the years ended December 31, 2018 was \$26,842 compared to \$20,942 during the year ended December 31, 2017.

NOTE 8 – NOTES PAYABLE

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

Interest expense for the Company's notes payable for the years ended December 31, 2018 was \$369 compared to \$321 during the year ended December 31, 2017. Accrued interest for the Company's notes payable at December 31, 2018 and 2017 was \$0 and \$321.

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

On March 28, 2018, the Company borrowed \$50,000 under the credit line from EAC. On September 19, 2018, EAC granted the Company an initial extension until October 15, 2018, since extended through May 1, 2019 to repay the Demand Note originally called on April 13, 2018. Upon the resignation of Edward A. Cespedes, EAC issued a demand for repayment of \$50,000 borrowed under the Demand Revolving Credit Line. The amount was not paid by the Company upon demand from EAC. EAC received no additional compensation or benefits of any kind in conjunction with granting the extension. At December 31, 2018, the credit line has a balance of \$50,000 and accrued interest of \$2,500.

During the three months ended December 31, 2018, the Company issued unsecured, 4%, demand promissory notes to EAC totaling \$15,900 which were not part of the Credit Line. As of December 31, 2018, the Company repaid these notes. At the time of repayment, these notes had accrued interest in the amount of \$60 which was forgiven by EAC.

BASANITE, INC. AND SUBSIDIARIES
(FORMERLY PAYMEON, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 9 – NOTES PAYABLE – RELATED PARTY

On May 25, 2017, the Company received \$10,000 in the form of a demand note from Vincent L. Celentano (a former director (resigned January 24, 2019) and former Chief Executive Officer). The note is payable on demand and has accrued interest of \$1,122 and \$422 as of December 31, 2018 and 2017, respectively.

On June 2, 2017, the Company received \$5,000 in the form of a demand note from Vincent L. Celentano (a former director (resigned January 24, 2019) and former Chief Executive Officer). The note is payable on demand and has accrued interest of \$553 and \$203 as of December 31, 2018 and 2017, respectively.

On August 9, 2017, the Company was issued a \$200,000 Secured Promissory Note and General Collateral Assignment and Security Agreement (“the Note”) with CAM Group of Florida, LLC (a company controlled by a current director) in the amount of \$200,000 with a due date of November 9, 2017. The note was issued in exchange for third-party payments in that amount. The Note bears interest at a rate of 10% per annum and is secured by all accounts, equipment, general intangibles, inventory and other collateral of the Company. On November 27, 2017, the Company was granted an extension to December 31, 2017. The Note was extended with no penalty and all original terms remain in place. On December 31, 2017, the lender granted the Company another extension to February 28, 2018. The Note was extended with no penalty and all original terms remain in place. On March 19, 2018, the Note was amended to be a “demand” note. CAM Group of Florida, LLC agreed to amend the Note with no penalty and all original terms remain in place. The principal amount of \$200,000 was converted into shares of common stock effective August 16, 2018. Accrued interest in the amount of \$20,329 as of that date was forgiven by CAM Group of Florida, LLC. At December 31, 2017 this note had accrued interest of \$7,890.

During the year ended December 31, 2018, the Company issued unsecured, 4% percent, demand promissory notes to VCVC, LLC (“VCVC”) totaling \$260,425. VCVC, the personal holding company of our former chairman and chief executive officer at the time of the notes, Vincent L. Celentano. As of December 31, 2018, these notes had accrued interest of \$10,252.

During the year ended December 31, 2018, the Company issued five unsecured, 4% percent, ninety-day promissory notes to RVRM Holdings, LLC (“RVRM”) totaling \$90,000. RVRM is managed by Ronald J. LoRicco, Sr., a member of our board of directors. The \$90,000 in principal to RVRM was converted for 1,200,000 shares of restricted common stock. The accrued interest of \$2,239 through the date of conversion was forgiven by RVRM.

Interest expense for the Company’s notes payable – related party for the year ended December 31, 2018 was \$28,540 compared to \$8,516 to the year ended December 31, 2017. Accrued interest for the Company’s notes payable-related party at December 31, 2018 and 2017 was \$14,427 and \$8,516, and another \$22,568 of accrued interest in the year ended December 31, 2018 was forgiven and included in additional paid in capital.

All notes payable from Vincent L. Celentano and his related entities will no longer be considered related party debt effective January 24, 2019 as he has resigned from the Board of Directors and no longer has an affiliation with the Company.

NOTE 10 – PURCHASE ORDER FINANCING - RELATED PARTY

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

BASANITE, INC. AND SUBSIDIARIES
(FORMERLY PAYMEON, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 11 – COMMITMENTS AND CONTINGENCIES

Employment Contracts

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

Under this agreement, for the year ended December 31, 2018, the Company recorded a salary expense of \$49,932 compared to \$175,000 for the year ended December 31, 2017. Accrued compensation at December 31, 2018 and 2017 was \$271,354 and \$468,922, respectively (See Note 14) and this is included in accrued expenses on the consolidated balance sheets. On March 19, 2018, our Chairman and CEO agreed to forgive \$200,000 of accrued payroll due and payable to him along with the \$15,300 of accrued payroll taxes on this amount. Our Chairman and CEO received no compensation of any kind in return for the forgiveness.

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

The Company and Dave Anderson entered into an employment agreement dated February 1, 2019. Pursuant to the employment agreement, the Company agrees to employ Dave Anderson as the Executive Vice President and Chief Operating Officer. The term of the employment agreement is for a period of three years and a base salary of \$190,000 annually. The Company will also pay \$15,000 in relocation costs to Dave Anderson as part of this agreement. Dave Anderson is also entitled to receive equity-based compensation annually during his employment period as described in the employment agreement.

Mr. Anderson is also eligible to receive an annual cash bonus of up to \$26,780 in year one, \$82,018 in year two and \$150,557 in year three based upon the Company's achieving certain target financial objectives. In addition, Mr. Anderson is eligible to receive annual grants of options to purchase shares of the Company's common stock of up to 1,500,000 shares in year one, 2,500,000 shares in year two and 3,500,000 shares in year three based upon the Company's achieving certain target financial objectives. Such option grants if earned will have an exercise price equal to fair market value of the Company's common stock at the time they are granted.

As provided in an addendum to this employment agreement, Dave Anderson has agreed to remain as the Interim Chief Executive Officer and Interim Principal Accounting Officer until a suitable replacement can be found. Once that occurs, Dave Anderson will become the Executive Vice President and Chief Operating Officer. There will be no additional compensation to Dave Anderson for these services.

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 December 31, 2018 and 2017, the Company had accrued \$68,267 and \$49,796, respectively of interest associated with the judgment.

BASANITE, INC. AND SUBSIDIARIES
(FORMERLY PAYMEON, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 11 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

Leases (Continued)

On October 22, 2015, the Company's wholly owned subsidiary, HLM PayMeOn, Inc., entered into a sublease agreement with PDQ Auctions, LLC to lease retail premises located 2599 North Federal Highway, Fort Lauderdale, FL 33305. The premises are used to operate a retail electric hover board, bicycle and related product store under the Company's "irideelectric" brand. The sublease is for an initial term of approximately five years at an initial monthly sum of \$5,617 and an additional five-year term at a monthly sum of \$5,899. As consideration for leasehold improvements, the Company issued PDQ Auctions, LLC a convertible note payable in the amount of \$300,000 (See Note 7). During the year ended December 31, 2017 the Company vacated the location as it was unable to be used to support our retail operations as a result of a car accident in December 2016. In conjunction with the accident, the landlord informed the Company that it would no longer be expected to be responsible for amounts due under the lease from the time of the accident forward. Accordingly, we have not accrued any amounts due under the lease in our financial statements since the time of the accident. The Company is pursuing legal action against the driver, whom we believe was insured, in the Circuit Court of the 17th Judicial Circuit in and for Broward County, Florida.

On March 31, 2017, the Company entered into a lease agreement for manufacturing and general office facilities located at 2688 NW 29th Terrace, Building 13, Oakland Park, Fl. 33311 for Basalt America. The facility is for approximately 12,921 square feet. The lease is for six separate six-month terms. The Company has elected to exercise its right to terminate the lease at the end of the term ending March 31, 2019. The Company has provided the landlord with 60-days' notice prior to the end of the end of the most recent six-month term. Future minimum lease payments as of December 31, 2018 are approximately \$11,520 per month during the first two months of 2019 of the lease and rise to approximately \$12,450 for the third month of 2019.

On January 31, 2019, the Company, through its wholly-owned subsidiary Basanite Industries, LLC, entered into a Commercial Lease Agreement with Camton, LLC, a Florida limited liability company pursuant to which the Company's subsidiary has agreed to lease approximately 25,470 square feet of office and manufacturing space at 2041 NW 15th Avenue, Pompano Beach, Florida 33069.

The commencement date of the lease is on or about February 1, 2019. The Company intends to move its corporate headquarters to the premises at such time. The term of the lease is for five years. The Company's subsidiary's base rent obligation is approximately \$23,595 per month during each of the first two years of the lease and increases approximately three percent annually for each of the three years of the remaining term of the lease. The aggregate gross base rent payments for the five-year term of the lease are \$1,467,692. The Company's subsidiary has one option to renew for an additional five-year term, which must be exercised by written notice at least one hundred and twenty days prior to the end of the term. The Company also has first right of refusal on adjacent space to this current location.

The lease contains customary default provisions allowing the Landlord to terminate the lease if the Company fails to remedy a breach of any of its obligations under the lease within specified time periods, or upon bankruptcy or insolvency of the Company. The lease also contains other customary provisions for real property leases of this type. The effective date of the lease is January 15, 2019, however the lease was not fully executed and delivered until January 31, 2019.

The Company has adopted ASU No. 2016-02, *Leases (Topic 842)*, as of January 1, 2019 and will account for the new lease in terms of the right of use assets and offsetting lease liability obligations for this new lease under this pronouncement. In accordance with ASC 842 - Leases, effective January 1, 2019, the Company will record additional net lease right of use asset and a lease liability at present value of approximately \$1.06 million, respectively, as of February 1, 2019. The Company is recording these at present value, in accordance with the standard, using a discount rate of 15% which is representative of the last borrowing rates for notes issued to a non-related party. The right of use asset will be composed of the sum of all lease payments plus any initial direct cost and will be straight line amortized over the life of the expected lease term. For the expected term of the lease the Company will use the initial term of the five-year lease. If the Company does elect to exercise its option to extend the lease for another five years, that election will be treated as a lease modification and the lease will be reviewed for remeasurement. This lease will be treated as an operating lease under the new standard.

BASANITE, INC. AND SUBSIDIARIES
(FORMERLY PAYMEON, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 11 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

Leases (Continued)

The Company has chosen to implement this standard using the modified retrospective model approach with a cumulative-effect adjustment, which does not require the Company to adjust the comparative periods presented when transitioning to the new guidance on January 1, 2019. The Company has also elected to utilize the transition related practical expedients permitted by the new standard. The modified retrospective approach provides a method for recording existing leases at adoption and in comparative periods that approximates the results of a modified retrospective approach. Adoption of the new standard resulted in the recording of additional net lease assets and lease liabilities of approximately \$37,000 as of January 1, 2019. Any difference between the additional lease assets and lease liabilities, net of the deferred tax impact, will be recorded as an adjustment to retained earnings. The standard is not expected to materially impact our consolidated net earnings and had no impact on cash flows.

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

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

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

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

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

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

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

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

BASANITE, INC. AND SUBSIDIARIES
(FORMERLY PAYMEON, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 11 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

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

As of December 31, 2018 and 2017, \$3,900 and \$388, respectively, was due under the percentage of gross sales obligations to RAW or its affiliates.

On April 18, 2018, Basalt America and the Company received a letter from counsel representing RAW LLC providing formal notice that Basalt America and the Company had breached and/or violated several sections of its license agreement and amendments, and that RAW LLC was immediately terminating all agreements and amendments. The Company does not believe it is in breach of its agreements and was working towards reaching an amicable solution, however always prepared to litigate if necessary. See Legal Matters below in Note 11.

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

As of December 31, 2018, the Company has not recorded the remaining \$400,000 per the post-closing letter agreement as they have neither taken delivery or paid for the remaining rebar machines owed to them under this agreement. As a result, the Company had an off-balance sheet commitment of \$400,000 payable to RAW. The Company has paid \$1,200,000 of the \$1,600,000 for additional rebar machines and reflected those amounts on the Company’s consolidated balance sheet as a deposit on equipment. As of December 31, 2018, as a result of the failure to amicably settle any and all disagreements with RAW, the Company has written off or impaired the following amounts; \$1,200,000 in deposits paid towards machinery and equipment that were never received, \$60,000 for deposits on materials that have not been received, impaired \$395,742 in net machinery and equipment as the Company determined the machinery and equipment purchased and received was in poor condition and could not manufacture and produce the rebar in accordance with Company and industry standards. as well as inventory obsolescence of \$240,121 as the inventory received and paid for in the initial purchase from RAW was in poor condition and unable to be sold. Due to the fact that the Company has written off the deposits paid under this agreement, and does not expect these amounts to be recoverable, the Company no longer considers itself to have an off-balance sheet commitment. The obligations, as originally agreed, are outlined below:

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

See Legal Matters below in Note 11.

Territory Joint Ventures

During the second quarter of 2017, the Company entered into a term sheet for a Joint Venture with accredited investors for the management of Basalt America Territory 1, LLC, which will have the exclusive rights to manage sales for Dade, Broward and Monroe Counties in the State of Florida. In conjunction with entering into the Joint Venture, the investors provided total proceeds of \$502,500 which was used for the purchase of inventory from May to August 2017. Operations have commenced during the fourth quarter of 2017. The Company owns 55.3% of the joint venture and the investors own 44.7% of the joint venture. Through December 31, 2018, the Company entered into term sheets for this Joint Venture with a related party for \$288,750 and five accredited investors for a total of \$213,750. The funds were used as a deposit to purchase inventory. The non-controlling interest as of December 31, 2018 and 2017 was \$225,015 and \$224,475, respectively.

BASANITE, INC. AND SUBSIDIARIES
(FORMERLY PAYMEON, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 11 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

Territory Joint Ventures (Continued)

On February 12, 2019, as a result of the termination of the RAW License Agreement, the Company agreed to settle with the non-controlling investors in Basalt America Territory 1, LLC to unwind this investment. In the settlement, the Company agreed to issue 2,010,000 restricted common shares at a value representing the original investment of \$502,500 (\$0.25 per share). The non-controlling investors were issued these shares on March 21, 2019 and the Company will take control of the previous 44.7% of Basalt America Territory 1, LLC formerly representing the non-controlling interest as of December 31, 2018 in the accompanying consolidated financial statements.

During the year ended December 31, 2017 the Company formed Basalt America Territory 2, LLC, which will have the exclusive rights to manage sales for Rhode Island. As of the date of this report, the Joint Venture has not commenced formal operations (no definitive documentation, nor operating agreement have been executed) and is inactive. If and when the Joint Venture commences operations, it is expected that the Company will own 50% of the Joint Venture.

Other

During the year ended December 31, 2018, the Company terminated eleven separate consulting agreements. At the time of termination, the Company had no further obligations for payments of any kind and there were no termination payments due.

Legal Matters

On March 31, 2014, the Company received a “Notice of Default” letter from legal counsel representing the California State Teachers Retirement System (“CalSTRS”) (the landlord for the Company’s office space) alerting that the Company was in default of its lease for failure to pay monthly rent for the office space located at 2400 East Commercial Boulevard, Suite 612, Fort Lauderdale, FL 33304. The letter demanded immediate payment of \$41,937 for rent past due rent due as of April 1, 2014. The landlord currently holds security deposits from the Company in the amount of \$31,407. The Company had indicated in writing its intention to cooperate with the landlord while trying to resolve the matter. On February 11, 2015, the landlord, through its attorneys, filed a motion for summary judgment. The motion asked for \$376,424 in unpaid rent, recovery of abated rents and tenant improvements and \$12,442 in attorney’s costs incurred by the landlord and the Company has reserved the entire amount. 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 of the 17th Judicial Circuit in and for Broward County. As previously disclosed, the Company has accrued the full amount of rent and attorney costs in its audited financial statements. The Company intends to continue its efforts to work with the landlord to reach a mutually agreeable solution and is currently attempting to raise additional capital to address the default, as well its other outstanding obligations and working capital requirements.

On December 15, 2016, a third-party driver drove his car through the company’s retail storefront located at 2599 North Federal Highway, Fort Lauderdale, Florida 33305. The accident caused severe damage to the building. The city of Fort Lauderdale declared the building an unsafe structure, and the Company had to vacate the premises and as a result, the lease terminated. This incident severely impacted our ability to sell to and service our customers. The damaged storefront eliminated sales at the location and effectively terminated the business. The Company is pursuing a claim for the damages sustained for lost sales and the writing off of the leasehold improvements at the location. The company is presently in suit for all damages suffered. The court has ordered that a mediation take place no later than April 7, 2019. The case is set for a jury trial and is set on the three-week trial docket beginning June 10, 2019.

While the Company is optimistic of a recovery, there can be no assurances as to the result of the suit.

BASANITE, INC. AND SUBSIDIARIES
(FORMERLY PAYMEON, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 11 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

Legal Matters (Continued)

On October 25, 2018, the Company was informed that RAW Materials filed an action for declaratory relief in Broward County, Florida, in the Seventeenth Judicial Circuit Court, titled Raw Energy Materials, Corp. v. Rockstar Acquisitions, LLC, Paymeon, Inc., and Basalt America, LLC, CASE NO.: CACE 18-020596. The nature of this case is a contractual dispute over an existing licensing agreement, and related sales of goods. The Company and all of the defendants in this case are contesting this case vigorously. While the parties have reached an initial agreement to cancel and invalidate the existing license agreement, the parties will continue to litigate damages arising from the dispute. RAW Materials has recently amended the case to add a count under the Florida consumer protection statute and the Company has requested an immediate dismissal, that motion to dismiss will be heard on March 27, 2019. Rockstar likewise anticipates bringing a counterclaim against RAW Materials and may also attempt to pursue a similar claim against RAW Materials principal, Don Smith. Notwithstanding the foregoing, the Company and all the defendants does intend to seek a favorable out of court settlement. Given the current state of the evidence it is impossible to estimate the potential value of RAW Materials claim; however, to date, little to no evidence has been produced to support the claim and the Company and all the defendants believes that its counterclaim will off-set any potential recovery by RAW Materials.

The Company, during the years ended December 31, 2018 and 2017, feels that it did comply with the license agreement, first amendment to the license agreement and the post-closing letter agreement (“the Agreements”) in all material respects and determined to continue to honor the language and acts as required under the Agreements throughout the remainder of 2018. The Board of Directors of the Company have met and have decided that the Company had acted in good faith and to appropriately honor the Agreements, despite RAW Materials and their affiliated entities not honoring their commitments under the Agreements. As part of complying with the Agreements, the Company properly accrued obligations related to the Agreements on its books, including continuing to accrue amounts due under the consulting agreements with RAW, LLC and Yellow Turtle Design, LLC as well as commissions on sales.

As of December 31, 2018, the Company’s Board of Directors and management have concluded that an amicable resolution or settlement of disputes between the parties will not be forthcoming as the lawsuit has been filed. As a result of the circumstances of the dispute as of the end of the year, the Company has decided to impair all assets related to all agreements and amendments with RAW Materials and its affiliates, and to cease all accruals of amounts owed under the consulting agreements with RAW, LLC and Yellow Turtle Design, LLC, as well as the cessation of commissions on sales of the Company. The Company is continuing to try to resolve this dispute with Raw Materials without going to trial, however it believes that it would prevail if this case does proceed to trial.

On November 1, 2018, the Company initiated a legal complaint in the county court of the 17th judicial circuit in and for Broward County, Florida against BC Dev. LLC f/k/a Banyan Cay Dev. LLC (“BCD”). The Company is suing BCD for failure to make payment due for a purchase order made by BCD for 75,000 feet of reinforcing bar and 11 rolls of basalt fiber mesh. The dollar amount of the claim is \$76,172, including Florida sales tax.

On December 10, 2018, the Company withdrew the complaint against BCD and will no longer pursue legal action to attempt to collect this debt. The Company believes that the ongoing efforts to collect the subject debt would cost significantly more than its value, and therefore has recognized this as a bad debt expense as of December 31, 2018.

NOTE 12 – STOCKHOLDERS’ EQUITY (DEFICIT)

Preferred Stock

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

BASANITE, INC. AND SUBSIDIARIES
(FORMERLY PAYMEON, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 12 – STOCKHOLDERS' EQUITY (DEFICIT) (CONTINUED)

Common Stock

The Company is authorized to issue up to 1,000,000,000 shares of common stock, par value \$0.001. The Company has 154,202,008 and 128,305,800 shares issued and outstanding as of December 31, 2018 and 2017, respectively.

Calendar Year 2018

Effective April 22, 2018, the Company secured a three-year extension of the convertible note in return for (1) a \$5,000 per month payment applicable to current interest and principal beginning on the effective date, and (2) the issuance of 274,575 new, restricted common shares. The shares were issued on June 13, 2018. The Company has commenced making the \$5,000 per month payments but is not current as required by the extension. As a result of this extension, the modification to this debt instrument is reflected as a material modification in the amount of \$90,061 in the Company's consolidated statement of operations in the year ended December 31, 2018. Due to the fact that the Company is in default with regards to monthly payments, it has classified this note as a current liability. The Company is working with the noteholder, attempting to remedy this default.

On August 15, 2018, RVRM converted \$90,000 principal amount of notes outstanding for 1,200,000 restricted common shares of the Company's common stock (\$0.075 per share). Ronald J. LoRiccio, Sr., a member of our board of directors is the manager of RVRM.

On August 16, 2018, CAM Group of Florida, LLC converted \$200,000 principal amount of notes outstanding for 2,666,667 restricted shares of the Company's common stock (\$0.075 per share). Frank Monti, Sr., a member of our board of directors is an officer of CAM Group of Florida, LLC. As part of this agreement, associated accrued interest at the time of conversion, in the amount of \$20,329 was forgiven by the noteholder.

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

During the year ended December 31, 2018, the Company issued 17,754,966 restricted common shares to accredited investors for total proceeds of \$1,470,240 (\$0.05 to \$0.30 per share). In addition, the accredited investors received five-year warrants to acquire 562,500 shares at \$0.40; 562,500 shares at \$0.60; 400,000 shares at \$0.50; 350,000 shares at \$0.15 per share and 8,000,000 shares at \$0.075.

During the year ended December 31, 2018, the Company issued 4,500,000 restricted common shares under consulting agreements.

Calendar Year 2017

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

BASANITE, INC. AND SUBSIDIARIES
(FORMERLY PAYMEON, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 12 – STOCKHOLDERS' EQUITY (DEFICIT) (CONTINUED)

Common Stock (Continued)

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

On September 22, 2017, the Company issued a total of 200,000 restricted common shares in conjunction with an extension of a \$300,000 principal amount Convertible 7% per annum Note with an original maturity date of September 22, 2017. The maturity date was extended to April 22, 2018. The interest rate on the Note was increased to 10% per annum. The shares were valued at \$72,000 (\$0.38 per share) at time of issuance. In accordance with ASC 470-50 *Debt Modifications and Extinguishments*, the issuance of the 200,000 restricted common shares having a market value of \$72,000 at the point of issuance effectively created a new debt instrument due the present value of the cash flow under the terms of the new debt instrument was at least 10 percent different from the present value of the remaining cash flow under the terms of the original instrument using a discount rate 7% based on the original debt issuance rate. As a result, the modification to this debt instrument has been reflected as a material modification in the Company's quarter ended December 31, 2017.

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

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

NOTE 13 – OPTIONS AND WARRANTS

Stock Options:

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

	<u>Number of Options</u>	<u>Weighted Average Exercise Price</u>	<u>Aggregate Intrinsic Value</u>
Balance at December 31, 2016	4,207,181	\$ 0.49	\$ —
Granted	1,560,000	0.25	—
Exercised	(167,181)	(0.10)	—
Expired	—	—	—
Balance at December 31, 2017	<u>5,600,000</u>	<u>\$ 0.43</u>	<u>\$ 741,600</u>
Granted	—	—	—
Cancelled	(3,012,500)	(0.51)	—
Exercised	—	—	—
Expired	—	—	—
Balance at December 31, 2018	<u><u>2,587,500</u></u>	<u><u>\$ 0.35</u></u>	<u><u>\$ —</u></u>

Fiscal year 2018

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

BASANITE, INC. AND SUBSIDIARIES
(FORMERLY PAYMEON, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 13 – OPTIONS AND WARRANTS

Stock Options (Continued):

For the year ended December 31, 2018, no options were issued by the Company. On September 17, 2018, the former CEO of the Company canceled his 1,000,000 options granted to him on February 25, 2016. On October 9, 2018, two consultants relinquished rights to vested stock option to purchase a total of 2,000,000 shares of Company stock for a strike price of \$0.51 per share. No compensation was received in connection with this action. On December 7, 2018, an employee was terminated and their unvested options were cancelled.

Fiscal year 2017

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

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

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

During the year ended December 31, 2018 and 2017 total stock option expense amounted to \$6,331 and \$207,956, respectively.

As of December 31, 2018 and 2017, there were 4,600,000 and 2,587,500, respectively of stock options issued, net of cancellations. Of the options issued, 5,035,000 were vested as of December 31, 2018 and 4,497,500 were vested as of December 31, 2017.

Stock Warrants:

	<u>Number of Warrants</u>	<u>Weighted Average Exercise Price</u>	<u>Aggregate Intrinsic Value</u>
Balance at December 31, 2016	—	\$ —	—
Granted	5,650,000	0.46	—
Exercised	—	—	—
Expired	—	—	—
Balance at December 31, 2017	<u>5,650,000</u>	<u>\$ 0.46</u>	<u>—</u>
Granted	12,375,000	0.14	—
Exercised	—	—	—
Expired	—	—	—
Balance at December 31, 2018	<u>18,025,000</u>	<u>\$ 0.24</u>	<u>\$ —</u>

Fiscal year 2018

On August 16, 2018, the Company appointed David Anderson its Interim Chief Executive Officer and Interim Principal Financial Officer. In conjunction with the appointment, the Company issued 1,000,000 warrants to purchase at a strike price of \$0.1235 per share. The warrants were immediately vested at time of issuance and have a five-year life. The Company valued these warrants at \$142,979 and this amount will be recognized over the six-month term of the contract.

BASANITE, INC. AND SUBSIDIARIES
(FORMERLY PAYMEON, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 13 – OPTIONS AND WARRANTS (CONTINUED)

Stock Warrants (Continued):

On September 23, 2018, the Company further issued 1,500,000 to David Anderson, Interim Chief Executive Officer and Interim Principal Financial Officer for additional services provided. The five-year warrants had a strike price of \$0.1235. The Company valued these warrants at \$154,952 and will be recognized over the life of the warrants.

During the year ended December 31, 2018, a total of 9,875,000 warrants were issued to investors as a stock purchase incentive with an average grant price of \$0.43 and a five-year term. 350,000 warrants were issued at \$0.15, 562,500 at \$0.40, 400,000 at \$0.50, 562,500 at \$0.60 and 8,000,000 at \$0.075.

Fiscal year 2017

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

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

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

During the year ended December 31, 2018 and 2017 total stock warrant expense amounted to \$126,897 and \$0, respectively.

NOTE 14 – RELATED PARTIES

On August 15, 2011, the Company entered into an employment agreement with its then Chief Executive Officer. The agreement was for a period of one year and was to remain in effect until either party notified the other not to further extend the employment period, provides for an annual base salary totaling \$250,000 and annual bonuses based on pre-tax operating income, as defined, for an annual minimum of \$50,000 in total. On July 18, 2014, the Company's Chief Executive Officer forgave \$326,727 of accrued payroll and amended his employment agreement to reduce his base salary by 30% and eliminated his guaranteed bonus of \$50,000 per year. On April 13, 2018, Edward A. Cespedes resigned as the chairman and chief executive officer of our Company and all our subsidiaries. For the year ended December 31, 2018 the recorded Chief Executive Officer salary expense was \$49,932 compared to \$175,000 for the year ended December 31, 2017. Accrued compensation at December 31, 2018 and 2017 was \$271,354 and \$468,922, respectively (See Note 11) and is included in accrued expenses on the consolidated balance sheets. On March 19, 2018, our then Chairman and CEO agreed to forgive \$200,000 of accrued payroll due and payable to him along with \$15,300 of accrued payroll taxes on this amount. Our Chairman and CEO received no compensation of any kind in return for the forgiveness.

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

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

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

BASANITE, INC. AND SUBSIDIARIES
(FORMERLY PAYMEON, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 14 – RELATED PARTIES (CONTINUED)

On April 4, 2018, the Company entered into four extension agreements for its four convertible notes payable due to a related party with a net principal balance of \$290,273, which is net of offsets. These notes were extended through December 31, 2018. These notes were previously extended on August 7, 2017 when the note holder agreed to extend the notes through March 31, 2018. On April 4, 2018 the note holder agreed to extend the notes through December 31, 2018. On March 14, 2019, noteholders including the Company's former chairman and chief executive officer converted their convertible notes payable - related parties with a principal balance of \$378,000. The noteholders converted all principal and accrued interest under these notes in the amount of \$509,178 (which includes interest accrued through February 26, 2019) in exchange for 1,700,985 restricted common shares of the Company.

On April 13, 2018, upon the resignation of Edward A. Cespedes, EAC, the personal holding company of our former chairman and chief executive officer, Mr. Cespedes issued a demand for repayment of \$50,000 borrowed under the Demand Revolving Credit Line. The amount has not been paid as of the date of filing. As of June 21, 2018, the Company had failed to repay amounts due EAC, and was in default. On June 21, 2018, EAC waived the default and granted the Company an extension of time to make repayment to July 15, 2018. The Company did not make payment by the expiration of the extension issued by EAC. On July 24, 2018, EAC granted the Company another extension to August 31, 2018. On September 19, 2018, EAC waived the default and granted the Company an extension of time to make repayment to October 15, 2018. EAC received no additional compensation or benefits of any kind in conjunction with granting the extension. As of December 31, 2018, this demand note had accrued interest of \$2,500. On January 15, 2019, EAC granted the Company an extension on this loan until March 15, 2019. On March 7, 2019, EAC granted the Company an extension on this loan until May 1, 2019.

On April 14, 2018, the Company entered into a consulting agreement with EAC. EAC is the personal holding company of our former chairman and chief executive officer, Edward A. Cespedes. Under the agreement EAC will provide the Company with general corporate and other services at the direction of the Board of Directors. The agreement is for a period of twelve months and can be terminated by either party with written notice. The agreement contains standard representations, warranties, and indemnifications from EAC and the Company. Mr. Cespedes has no executive authority under the agreement. Compensation under the agreement is flexible. The agreement sets target compensation for EAC at \$15,000 per month and allows for the Company to pay EAC less based on its financial wherewithal at any given time. The agreement also contains customary terms, including reimbursement for certain health and business-related expenses. As of December 31, 2018, the Company had accrued fees payable to EAC of \$42,500.

On August 8, 2018, the Company entered into a six-month agreement with David Anderson to act as its Interim Chief Executive Officer and Interim Principal Financial Officer. In conjunction with the appointment, the Company issued 1,000,000 warrants to purchase at a strike price of \$0.1235 per share. The warrants were immediately vested at time of issuance and have a five-year life. The Company recorded an expense of \$142,979 upon the issuance of these warrants. Additionally, the Company has entered into a six-month agreement with Mr. Anderson whereby total compensation of \$65,000 will be recognized pro-rata over the term of the agreement.

The Company and Dave Anderson entered into an employment agreement dated February 1, 2019. Pursuant to the employment agreement, the Company agrees to employ Dave Anderson as the Executive Vice President and Chief Operating Officer. The term of the employment agreement is for a period of three years and a base salary of \$190,000 annually. The Company will also pay \$15,000 in relocation costs to Dave Anderson as part of this agreement. Dave Anderson is also entitled to receive equity-based compensation annually during his employment period as described in the employment agreement.

As provided in an addendum to this employment agreement, Dave Anderson has agreed to remain as the Interim Chief Executive Officer and Interim Principal Accounting Officer until a suitable replacement can be found. Once that occurs, Dave Anderson will become the Executive Vice President and Chief Operating Officer. There will be no additional compensation to Dave Anderson for these services.

BASANITE, INC. AND SUBSIDIARIES
(FORMERLY PAYMEON, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 14 – RELATED PARTIES (CONTINUED)

On September 27, 2018, the Company received \$50,000 for the purchase of 666,667 restricted common shares (\$0.075 per share) received from a related party (RVRM). The shares were issued on November 2, 2018.

As of November 2, 2018, the Company received \$200,000 from a related party, RVRM, to purchase 4,000,000 restricted common shares (\$0.05 per share). The related party investor also received warrants to purchase 4,000,000 shares for a cash exercise price of \$0.075 per share. The warrants have a term of 5 years and are callable by the Company should the closing price of its common shares meet or exceed \$1.00 per share for 20 consecutive trading days.

During the year ended December 31, 2018, the Company issued unsecured, 4% percent, demand promissory notes to VCVC, LLC (“VCVC”) totaling \$260,425. VCVC, the personal holding company of our former chairman and chief executive officer at the time of the notes, Vincent L. Celentano. As of December 31, 2018, these notes had accrued interest of \$10,252.

During the three months ended December 31, 2018, the Company issued five unsecured, 4% percent, ninety-day promissory notes to RVRM Holdings, LLC (“RVRM”) totaling \$90,000. RVRM is managed by Ronald J. LoRicco, Sr., a member of our board of directors. The \$90,000 in principal to RVRM was converted for 1,200,000 shares of restricted common stock. The accrued interest of \$2,239 through the date of conversion was forgiven by RVRM.

All notes payable and convertible notes payable from Vincent L. Celentano and his related entities will no longer be considered related party debt effective January 24, 2019 as he has resigned from the Board of Directors and no longer has an affiliation with the Company.

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

On February 12, 2019, as a result of the termination of the RAW License Agreement, the Company agreed to settle with the non-controlling investors in Basalt America Territory 1, LLC to unwind this investment. In the settlement, the Company agreed to issue 2,010,000 restricted common shares at a value representing the original investment of \$502,500 (\$0.25 per share). The non-controlling investors were issued these shares on March 21, 2019 and the Company will take control of the previous 44.7% of Basalt America Territory 1, LLC formerly representing the non-controlling interest as of December 31, 2018 in the accompanying consolidated financial statements.

NOTE 15 – CONCENTRATIONS

For the year ended December 31, 2018, one customer amounted to 89% of product sales from continuing operations. For the year ended December 31, 2017, one customer amounted to 93% of product sales from continuing operations.

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

BASANITE, INC. AND SUBSIDIARIES
(FORMERLY PAYMEON, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 16 – SUBSEQUENT EVENTS

Common Stock and Equity

On February 12, 2019, as a result of the termination of the RAW License Agreement, the Company agreed to settle with the non-controlling investors in Basalt America Territory 1, LLC to unwind this investment. In the settlement, the Company agreed to issue 2,010,000 restricted common shares at a value representing the original investment of \$502,500 (\$0.25 per share). The non-controlling investors were issued these shares on March 21, 2019 and the Company will take control of the previous 44.7% of Basalt America Territory 1, LLC formerly representing the non-controlling interest as of December 31, 2018 in the accompanying consolidated financial statements.

On February 14, 2019, the Company received a \$100,000 investment from a related party. In consideration for the investment, the Company issued 2,000,000 restricted common shares at a price of \$0.05 per share and cash warrants to purchase an additional 2,000,000 restricted common shares with a strike price of \$0.075 per share.

On February 25, 2019, the Company received a \$100,000 investment from an accredited investor. In consideration for the investment, the Company issued 2,000,000 restricted common shares at a price of \$0.05 per share and cash warrants to purchase an additional 2,000,000 restricted common shares with a strike price of \$0.075 per share.

On February 27, 2019, the Company received a \$50,000 investment from one of the Company's directors. In consideration for the investment, the Company issued 1,000,000 restricted common shares for a price of \$0.05 per share and cash warrants to purchase an additional 1,000,000 restricted common shares with a strike price of \$0.075 per share.

On February 28, 2019, the Company received a \$100,000 investment from an accredited investor. In consideration for the investment, the Company issued 1,000,000 restricted common shares at a price of \$0.05 per share and cash warrants to purchase an additional 1,000,000 restricted common shares with a strike price of \$0.075 per share.

On March 4, 2019, the Company issued 5,000,000 five-year warrants, to consultant, Richard Krolewski. The warrants have a strike price of \$0.1235 per share. The Company has calculated a value of \$594,692 using the Black-Scholes valuation model and will recognize this cost over a period of five years. The Company intends to name Mr. Krolewski Chief Executive Officer in April 2019.

On March 11, 2019, the Company received a total of \$100,000 investment from two accredited investors. In consideration for the investment, the Company issued 2,000,000 restricted common shares, collectively, at a price of \$0.05 per share and cash warrants to purchase an additional 2,000,000 restricted common shares with a strike price of \$0.075 per share.

On March 14, 2019, the Company received a \$100,000 investment from an accredited investor. In consideration for the investment, the Company issued 2,000,000 restricted common shares at a price of \$0.05 per share and cash warrants to purchase an additional 2,000,000 restricted common shares with a strike price of \$0.075 per share.

On March 14, 2019, noteholders including the Company's former chairman and chief executive officer converted their convertible notes payable - related parties with a principal balance of \$378,000. The noteholders converted all principal and accrued interest under these notes in the amount of \$509,178 (which includes interest accrued through February 26, 2019) in exchange for 1,700,985 restricted common shares of the Company.

On March 15, 2019, the Company received a total of \$100,000 investment from one of the Company's Directors, Paul M. Sallarulo. In consideration for the investment, the Company issued 2,000,000 restricted common shares at a price of \$0.05 per share and cash warrants to purchase an additional 2,000,000 restricted common shares with a strike price of \$0.075 per share.

BASANITE, INC. AND SUBSIDIARIES
(FORMERLY PAYMEON, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 16 – SUBSEQUENT EVENTS (CONTINUED)

Common Stock and Equity (Continued)

On March 15, 2019, the Company received a total of \$25,000 investment from Dave Anderson, Executive Vice President and Chief Operating Officer. In consideration for the investment, the Company issued 500,000 restricted common shares at a price of \$0.05 per share and cash warrants to purchase an additional 500,000 restricted common shares with a strike price of \$0.075 per share.

On March 22, 2019, the Company received a total of \$100,000 investment from two accredited investors. In consideration for the investment, the Company will issue 2,000,000 restricted common shares, collectively, at a price of \$0.05 per share and cash warrants to purchase an additional 2,000,000 restricted common shares with a strike price of \$0.075 per share. As of this report date the shares have not been issued.

Corporate

On January 24, 2019, Vincent L. Celentano submitted notice of his resignation as a member of the Board of Directors of the Company, effective immediately. Mr. Celentano was not a member of any committee of Board. Mr. Celentano's resignation was not as a result of any disagreement with the Company, the Board, or the Company's independent auditor. A copy of Mr. Celentano's resignation letter was attached to Form 8-K Current report filed on January 30, 2019. As a result of this resignation, all notes payable and convertible notes payable from Vincent L. Celentano and his related entities will no longer be considered related party debt effective January 24, 2019.

On January 31, 2019, the Company, through its wholly-owned subsidiary Basanite Industries, LLC, entered into a Commercial Lease Agreement with Camton, LLC, a Florida limited liability company pursuant to which the Company's subsidiary has agreed to lease approximately 25,470 square feet of office and manufacturing space at 2041 NW 15th Avenue, Pompano Beach, Florida 33069. The commencement date of the lease is April 1, 2019. The Company intends to move its corporate headquarters to the premises at such time. The term of the lease is five years. The Company's subsidiary's base rent obligation is approximately \$23,595 per month during each of the first two years of the lease and increases approximately three percent annually for each of the three years on the remaining term of the lease. The aggregate base rent payments for the five-year term of the lease are \$1,176,349. The Company's subsidiary has one option to renew for an additional five-year term, which must be exercised by written notice at least one hundred and twenty days prior to the end of the term.

The Company and Dave Anderson entered into an employment agreement dated February 1, 2019. Pursuant to the employment agreement, the Company agrees to employ Dave Anderson as the Executive Vice President and Chief Operating Officer. The term of the employment agreement is for a period of three years and a base salary of \$190,000 annually. The Company will also pay \$15,000 in relocation costs to Dave Anderson as part of this agreement. Dave Anderson is also entitled to receive equity-based compensation annually during his employment period as described in the employment agreement.

As provided in an addendum to this employment agreement, Dave Anderson has agreed to remain as the Interim Chief Executive Officer and Interim Principal Accounting Officer until a suitable replacement can be found. Once that occurs, Dave Anderson will become the Executive Vice President and Chief Operating Officer. There will be no additional compensation to Dave Anderson for these services.

On February 11, 2019, Michael V. Barbera was appointed as a member of the Board of Directors of Basanite, Inc. Mr. Barbera has not been appointed to any committees of the Board of Directors as of the date of this filing.

On February 12, 2019, as a result of the termination of the RAW License Agreement, the Company agreed to settle with the non-controlling investors in Basalt America Territory 1, LLC to unwind this investment. In the settlement, the Company agreed to issue 2,010,000 restricted common shares at a value representing the original investment of \$502,500 (\$0.25 per share). The non-controlling investors were issued these shares on March 21, 2019 and the Company will take control of the previous 44.7% of Basalt America Territory 1, LLC formerly representing the non-controlling interest as of December 31, 2018 in the accompanying consolidated financial statements.

BASANITE, INC. AND SUBSIDIARIES
(FORMERLY PAYMEON, INC.)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 16 – SUBSEQUENT EVENTS (CONTINUED)

Notes Payable

On January 15, 2019, EAC granted the Company an extension to the due date of its demand note in the amount of \$50,000 that was converted from the line of credit, established on April 13, 2018, until March 15, 2019, and then again on March 7, 2019 until May 1, 2019.

On February 8, 2019, the Company issued two 90-day promissory notes, one to an accredited investor in the amount of \$80,000, and a second to a Related Party in the amount of \$80,000 (as noted below). The notes have a maturity date of May 10, 2019 and an interest rate of 15% per annum.

Related Party Transactions

On January 18, 2019, the Company entered into secured convertible promissory note agreements with a related party in the amount of \$50,000. The note has a term of 180 days bearing an interest rate of 15% per annum. At the Company's sole option, the note could be converted into shares of the Company's common stock for a conversion price of \$0.05 per share. If the notes are converted, the Related Party is entitled to receive 5-year warrants with a strike price of \$0.075 per share. The warrants would equal the number of shares received in the conversion of the Secured Convertible Promissory Note.

On February 8, 2019, the Company issued a 90-day promissory note to a Related Party investor in the amount of \$80,000. The note has a maturity date of May 10, 2019 and an interest rate of 15% per annum.

On February 14, 2019, the Company received a \$100,000 investment from a related party in consideration for 2,000,000 restricted common shares at a price of \$0.05 per share and cash warrants to purchase an additional 2,000,000 restricted common shares with a strike price of \$0.075 per share (as noted above).

On February 27, 2019, the Company received a total of \$50,000 investment, from one of the Company's directors in consideration for restricted common shares and cash warrants.

On March 14, 2019, noteholders including the Company's former chairman and chief executive officer converted their convertible notes payable - related parties with a principal balance of \$378,000. The noteholders converted all principal and accrued interest under these notes in the amount of \$509,178 (which includes interest accrued through February 26, 2019) in exchange for 1,700,985 restricted common shares of the Company.

On March 15, 2019, the Company received a total of \$100,000 investment from one of the Company's Directors, Paul M. Sallarulo. In consideration for the investment, the Company issued 2,000,000 restricted common shares at a price of \$0.05 per share and cash warrants to purchase an additional 2,000,000 restricted common shares with a strike price of \$0.075 per share.

On March 15, 2019, the Company received a total of \$25,000 investment from Dave Anderson, Executive Vice President and Chief Operating Officer. In consideration for the investment, the Company issued 500,000 restricted common shares at a price of \$0.05 per share and cash warrants to purchase an additional 500,000 restricted common shares with a strike price of \$0.075 per share.

Secured Convertible Promissory Note

On January 18, 2019, the Company entered into secured convertible promissory note agreements with two accredited investors in the amount of \$70,000 (\$50,000 of which is to a related party, as noted above). The notes have a term of 180 days bearing an interest rate of 15% per annum. At the Company's sole option, the notes could be converted into shares of the Company's common stock for a conversion price of \$0.05 per share. If the notes are converted, the investors are entitled to receive 5-year warrants with a strike price of \$0.075 per share. The warrants would equal the number of shares received in the conversion of the Secured Convertible Promissory Note.

BK Consulting, LLC.

Bill To

Vincent Celentano
C/O Basalt America

Invoice Date **05/07/2018**

DESCRIPTION
AMOUNT

RETAINMENT AGREEMENT

100,000.00

Advisory & Consulting

Procuring Federal & State DOT and others.

Maintaining office Infrastructure

12 Month Consulting agreement for market development Basalt America to DOT & specifying agencies throughout the US as well as

Implementing strategy on promotion of product to the Precast Concrete Industry.

Richard Krolewski (Rich K) will be Lead Consultant Under BK Consulting, LLC.

[Redacted]

Rim K will establish business operations and production of facility to develop correct staffing and manufacturing process

All product development under agreement, including intellectual property shall belong to Basalt America on behalf of Rich K and BK Consulting,

LLC.

BK Consulting, LLC. Basalt America

INVOICE TOTAL \$100,000.00

Upon signatures and approval, term will begin 12 months Starting May 11, 2018

Initial Payment \$100,000 wired May 11, 2018 to BK Consulting, LLC and balance of \$100,000.00 to be paid Quarterly with first quarterly Payment to be made August 15, 2018

To: Dave Anderson, CEO

From: Vincent L. Celentano
Mary Celentano
William Celentano

Date March 14, 2019

Subject: Note Conversions

Please use this letter as your authorization to convert currently outstanding convertible notes due us and our affiliates as per the schedule included with this note. We have calculated interest through February 26, 2019 and you may use that date for all conversions without penalty.

Please issue shares related to the conversions in the appropriate names and overnight to the proper addresses as soon as possible.

Thank you,

/s/Vincent L. Celentano
Vincent L. Celentano

/s/Mary Celentano
Mary Celentano

/s/William Celentano
William Celentano

Conversion Schedule

Celentano Family Debt Conversion Schedule

Interest Calculation Date 2/26/2019

	<u>Original Note Date</u>	<u>Note Principal</u>	<u>Accrued Interest</u>	<u>Total Due</u>	<u>Conversion Price</u>	<u>Shares Due</u>
Celentano Consulting Company LLC	12/27/2012	\$ 165,500	\$ 71,446	\$ 236,946	\$ 0.345	686,800
William Celentano	10/30/2014	\$ 10,000	\$ 3,028	\$ 13,028	\$ 0.12	108,567
1985 Trust for William Celentano	1/20/2015	\$ 85,000	\$ 24,403	\$ 109,403	\$ 0.30	364,677
1985 Trust for William Celentano	2/6/2015	\$ 47,500	\$ 13,482	\$ 60,982	\$ 0.30	203,273
1985 Trust for William Celentano	3/13/2015	\$ 50,000	\$ 13,856	\$ 63,856	\$ 0.30	212,853
Totals		\$ 182,500	\$ 51,741	\$ 234,241		780,803
Mary Celentano	8/11/2015	\$ 20,000	\$ 4,963	\$ 24,963	\$ 0.20	124,815

SUBSCRIPTION AGREEMENT

SUBSCRIPTION AGREEMENT (this "Agreement") made as of the last date set forth on the signature page hereof between BASANITE, INC., a Nevada corporation (the "Company") and the undersigned (the "Subscriber").

WITNESSETH:

WHEREAS, the Company is conducting a private offering (this "Offering") of shares of common stock of the Company (the "Common Stock") at a purchase price of \$0.05 per Share; and

WHEREAS, the Subscriber desires to purchase the number of shares of Common Stock set forth on the signature page hereof (the "Shares?") on the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the premises and the mutual representations and covenants hereinafter set forth, the parties hereto do hereby agree as follows:

1. SUBSCRIPTION FOR SHARES AND REPRESENTATIONS BY SUBSCRIBER. Subject to the terms and conditions hereinafter set forth, the Subscriber hereby irrevocably subscribes for and agrees to purchase from the Company such number of Shares, at a price equal to \$0.05 per Share. There is no minimum offering. The purchase price is payable by check made payable to "BASANITE, Inc." or wire transfer pursuant to the instructions attached hereto contemporaneously with the execution and delivery of this Agreement by the Subscriber to BASANITE, INC., 2041 NW 15th Avenue, Pompano Beach, Florida 33069, Attention: CEO. Deliveries may be made by mail, overnight courier service, or as an attachment to an email sent to da@basaniteindustries.com.

1.1 The Subscriber recognizes that the purchase of the Shares involves a high degree of risk including, but not limited to, the following: (a) the Company requires funds in addition to the proceeds of this Offering; (b) an investment in the Company is highly speculative, and only investors who can afford the loss of their entire investment should consider investing in the Company and the Shares; (c) the Subscriber may not be able to liquidate its investment; (d) limited transferability of the Common Stock; (e) in the event of a disposition, the Subscriber could sustain the loss of its entire investment; (f) the Company has completed acquisition(s) that may contain unknown risks and uncertainties, and (g) the Company may issue additional securities in the future which have rights and preferences that are senior to those of the Common Stock. Without limiting the generality of the representations set forth in Section 1.5 below, the Subscriber represents that the Subscriber has carefully reviewed the Risk Factors contained in the Company's Quarterly filings made on Form 10-Q dated March 31, 2018, June 30, 2018, and September 30, 2018, as well as the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2017 and prior filings made by the Company on Form 10-Q dated March 31, 2017, June 30, 2017, and September 30, 2017.

1.2 The Subscriber represents that the Subscriber is an "accredited investor" as such term is defined in Rule 501 (as amended on July 21, 2010 by the Dodd-Frank Wall Street Reform and Consumer Protection Act) of Regulation D ("Regulation D") promulgated under the Securities Act of 1933, as amended (the "Act"), and that the Subscriber is able to bear the economic risk of an investment in the Shares and that the information in the Investor Questionnaire completed and executed by the undersigned is true and accurate in all respects.

1.3 The Subscriber hereby acknowledges and represents that (a) the Subscriber has knowledge and experience in business and financial matters, prior investment experience, or the Subscriber has employed the services of a "purchaser representative" (as defined in Rule 501 of Regulation D), attorney and/or accountant to read all of the documents furnished or made available by the Company both to the Subscriber and to all other prospective investors in the Shares to evaluate the merits and risks of such an investment on the Subscriber's behalf; (b) the Subscriber recognizes the highly speculative nature of this investment; and (c) the Subscriber is able to bear the economic risk that the Subscriber hereby assumes.

1.4 The Subscriber hereby acknowledges receipt and careful review of this Agreement, SEC Filings (defined below) and any documents (if any) which may have been made available upon request of the Subscriber (collectively referred to as the "Offering Materials") and hereby represents that the Subscriber has been furnished by the Company during the course of this Offering with all information regarding the Company, the terms

and conditions of this Offering and any additional information that the Subscriber has requested or desired to know, and has been afforded the opportunity to ask questions of and receive answers from duly authorized officers or other representatives of the Company concerning the Company and the terms and conditions of this Offering.

1.5 (a) In making the decision to invest in the Shares the Subscriber has relied solely upon the information provided by the Company in the Offering Materials (if any), and the Company's available public filings. To the extent necessary, the Subscriber has retained, at its own expense, and relied upon appropriate professional advice regarding the investment, tax and legal merits and consequences of this Agreement and the purchase of the Shares hereunder. The Subscriber disclaims reliance on any statements made or information provided by any person or entity in the course of Subscriber's consideration of an investment in the Shares other than the Offering Materials.

(b) The Subscriber represents that (i) the Subscriber was contacted regarding the sale of the Shares by the Company (or an authorized agent or representative thereof) and (ii) no Shares were offered or sold to it by means of any form of general solicitation or general advertising, and in connection therewith, the Subscriber did not (A) receive or review any advertisement, article, notice or other communication published in a newspaper or magazine or similar media or broadcast over television or radio, whether closed circuit, or generally available; or (B) attend any seminar meeting or industry investor conference whose attendees were invited by any general solicitation or general advertising.

1.6 The Subscriber hereby represents that the Subscriber, either by reason of the Subscriber's business or financial experience or the business or financial experience of the Subscriber's professional advisors (who are unaffiliated with and not compensated by the Company or any affiliate or selling agent of the Company, directly or indirectly), has the capacity to protect the Subscriber's own interests in connection with the transaction contemplated hereby.

1.7 The Subscriber hereby acknowledges that this Offering has not been reviewed by the U.S. Securities and Exchange Commission (the "SEC") nor any state regulatory authority since this Offering is intended to be exempt from the registration requirements of Section 5 of the Act pursuant to Regulation D promulgated thereunder. The Subscriber understands that the Shares have not been registered under the Act or under any state securities or "blue sky" laws and agrees not to sell, pledge, assign or otherwise transfer or dispose of the Common Stock unless they are registered under the Act and under any applicable state securities or "blue sky" laws or unless an exemption from such registration is available.

1.8 The Subscriber understands that the Shares have not been registered under the Act by reason of a claimed exemption under the provisions of the Act that depends, in part, upon the Subscriber's investment intention. In this connection, the Subscriber hereby represents that the Subscriber is purchasing the Shares for the Subscriber's own account for investment and not with a view toward the resale or distribution to others. The Subscriber, if an entity, further represents that it was not formed for the purpose of purchasing the Shares.

1.9 The Subscriber understands that the current trading market for the Company's Common Stock is limited and that an active market may not develop for the Common Stock.

1.10 The Subscriber consents to the placement of a legend on any certificate or other document evidencing the Common Stock that such securities have not been registered under the Act or any state securities or "blue sky" laws and setting forth or referring to the restrictions on transferability and sale thereof contained in this Agreement. The Subscriber has agreed to a one-year hold period for the Common Stock received in conjunction with this investment and is aware that the Company will make a notation in its appropriate records with respect to the restrictions on the transferability of such securities. The legend to be placed on each certificate shall be in form substantially similar to the following:

"THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED. UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "ACT") OR ANY STATE SECURITIES OR "BLUE SKY LAWS," AND MAY NOT BE OFFERED, SOLD, TRANSFERRED, ASSIGNED, PLEDGED OR HYPOTHECATED ABSENT AN EFFECTIVE REGISTRATION THEREOF UNDER SUCH ACT OR COMPLIANCE WITH RULE 144

PROMULGATED UNDER SUCH ACT, OR UNLESS THE COMPANY HAS RECEIVED AN OPINION OF COUNSEL, REASONABLY SATISFACTORY TO THE COMPANY AND ITS COUNSEL, THAT SUCH REGISTRATION IS NOT REQUIRED."

1.11 The Subscriber understands that the Company will review this Agreement and is hereby given authority by the Subscriber to call Subscriber's bank or place of employment or otherwise review the financial standing of the Subscriber; and it is further agreed that the Company, in its sole discretion, reserves the unrestricted right, without further documentation or agreement on the part of the Subscriber, to reject or limit any subscription and to close this Offering to the Subscriber at any time and that the Company will issue stop transfer instructions to its transfer agent with respect to the Common Stock.

1.12 The Subscriber hereby represents that the address of the Subscriber furnished by Subscriber on the signature page hereof is the Subscriber's principal residence if Subscriber is an individual or its principal business address if it is a corporation or other entity.

1.13 The Subscriber represents that the Subscriber has full power and authority (corporate, statutory and otherwise) to execute and deliver this Agreement and to purchase the Shares. This Agreement constitutes the legal, valid and binding obligation of the Subscriber, enforceable against the Subscriber in accordance with its terms.

1.14 If the Subscriber is a corporation, partnership, limited liability company, trust, employee benefit plan, individual retirement account, Keogh Plan, or other tax-exempt entity, it is authorized and qualified to invest in the Company and the person signing this Agreement on behalf of such entity has been duly authorized by such entity to do so.

1.15 The Subscriber acknowledges that at such time, if ever, as the Common Stock are registered, sales of the Common Stock will be subject to state securities laws.

1.16 The Subscriber agrees not to issue any public statement with respect to the Subscriber's investment or proposed investment in the Company or the terms of any agreement or covenant between them and the Company without the Company's prior written consent, except such disclosures as may be required under applicable law or under any applicable order, rule or regulation.

1.17 Prohibited Transactions. During the last thirty (30) days prior to the date hereof, neither Subscriber or any affiliate of Subscriber which (x) had knowledge of the transactions contemplated hereby, (y) has or shares discretion relating to such Subscriber's investments or trading or information concerning such investor's investments, including in respect of the securities, or (z) is subject to such investor's review or input concerning such affiliates' investments or trading (collectively, "Trading Affiliates") has, directly or indirectly, effected or agreed to effect any short sale, whether or not against the box, established any "put equivalent position" (as defined in Rule 16a 1 (h) under the 1934 Act) with respect to the Company's Common Stock, granted any other right (including, without limitation, any put or call option) with respect to the Common Stock or with respect to any security that includes, relates to or derived any significant part of its value from the Common Stock or otherwise sought to hedge its position in the securities (each, a "Prohibited Transaction").

1.18 The Subscriber understands that the Shares are being offered and sold in reliance on specific exemptions from the registration requirements of federal and state securities laws and that the Company and the principals and controlling persons thereof are relying upon the truth and accuracy of the representations, warranties, agreements, acknowledgments, and understandings set forth herein in order to determine the applicability of such exemptions and the undersigned's suitability to acquire Shares.

1.19 The Subscriber agrees to hold the Company and its directors, officers, employees, affiliates, controlling persons, counsel and agents and their respective heirs, representatives, successors and assigns harmless and to indemnify them against all liabilities, costs and expenses incurred by them as a result of (a) any sale or distribution of the Shares by the Subscriber in violation of the Act or any applicable state securities or "blue sky" laws; or (b) any false representation or warranty or any breach or failure by the Subscriber to comply with any covenant

made by the Subscriber in this Agreement or any other document furnished by the Subscriber to any of the foregoing in connection with this transaction. To the best of the Subscriber's knowledge, neither the Subscriber nor any person providing funds to the Subscriber: (i) is under investigation by any governmental authority for, or has been charged with, or convicted of, money laundering, drug trafficking, terrorist related activities, any crimes which in the United States would be predicate crimes to money laundering, or any violation of any Anti-Money Laundering Laws (as hereinafter defined); (ii) has been assessed civil or criminal penalties under any Anti-Money Laundering Laws; or (iii) has had any of its funds seized or forfeited in any action under any Anti-Money Laundering Laws. For purposes of this paragraph, the term "Anti-Money Laundering Laws" shall mean laws, regulations and sanctions, state and federal, criminal and civil, that: (i) limit the use of and/or seek the forfeiture of proceeds from illegal transactions; (ii) limit commercial transactions with designated countries or individuals believed to be terrorists, narcotics dealers or otherwise engaged in activities contrary to the interests of the United States; (iii) require identification and documentation of the parties with whom a financial institution conducts business; or (iv) are designed to disrupt the flow of funds to terrorist organizations. Such laws, regulations and sanctions shall be deemed to include the USA Patriot Act of 2001, Pub. L. No. 107-56 (the "Patriot Act"), the Bank Secrecy Act, 31 U.S.C. Section 5311 et. seq. (the "Bank Secrecy Act"), the Trading with the Enemy Act, 50 U.S.C. Appendix, the International Emergency Economic Powers Act, 50 U.S.C. Section 1701 et. seq., and the sanction regulations promulgated pursuant thereto by the OFAC, as well as laws relating to prevention and detection of money laundering in 18 U.S.C. Sections 1956 and 1957. r

1.20 The subscriber agrees not to make any public announcement or issue any press release or otherwise publicly disseminate any information about the subject matter of this Agreement or this Offering. Except as provided herein, the Company shall have the right to make such public announcements and shall control the timing, form and content of all press releases or other public communications of any sort relating to the subject matter of this Agreement and this Offering, and the method of their release, or publication thereof. The subscriber agrees that no portion of the Confidential Information (as defined below) shall be disclosed to third parties, except as may be required by law, without the prior express written consent of the Company; provided, that the subscriber may share such information with such of its officers and professional advisors as may need to know such information to assist the subscriber in its evaluation thereof on the condition that such parties agree to be bound by the terms hereof. "Confidential Information" means the existence and terms of this Agreement, the transactions contemplated hereby, and the disclosures and other information contained herein or in the Offering Materials, excluding any disclosures or other information that are publicly available.

2. REPRESENTATIONS BY AND COVENANTS OF THE COMPANY. The Company hereby represents and warrants to the Subscriber that:

2.1 Organization, And Qualification. The Company is a corporation duly organized and validly existing under the laws of the State of Nevada and has full corporate power and authority to conduct its business..

2.2 Authorization; Enforceability. The Company has all corporate right, power and authority to enter into this Agreement and to consummate the transactions contemplated hereby. All corporate action on the part of the Company, its directors and stockholders necessary for the (i) authorization execution, delivery and performance of this Agreement by the Company; and (ii) authorization, sale, issuance and delivery of the Common Stock contemplated hereby and the performance of the Company's obligations hereunder has been taken. This Agreement has been duly executed and delivered by the Company and constitutes a legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, subject to laws of general application relating to bankruptcy, insolvency and the relief of debtors and rules of law governing specific performance, injunctive relief or other equitable remedies, and to limitations of public policy. The Common Stock, when issued and fully paid for in accordance with the terms of this Agreement, will be validly issued, fully paid and nonassessable. The issuance and sale of the Common Stock contemplated hereby will not give rise to any preemptive rights or rights of first refusal on behalf of any person which have not been waived in connection with this Offering.

2.3 Delivery of SEC Filings; Business. The Company has made available to the Subscriber the Company's most recent Annual Report on Form 10-K for the year ended December 31, 2017 and all other reports filed with the SEC (collectively, the "SEC Filings"). The Company and its subsidiaries are engaged in all material respects in the business described in the Annual Report on Form 10-K dated the year ended December 31, 2017 and

any subsequent filings, and the SEC Filings contain an accurate description in all material respects of the business of the Company and its subsidiaries, taken as a whole.

3. TERMS OF SUBSCRIPTION. The Company is offering the Shares through its officers and directors.

3.1 Subscriptions for Shares may not be revoked once tendered, except in accordance with certain state laws.

3.2 This Offering can be withdrawn at any time before closing and is specifically made subject to the terms described in this Agreement. The Company reserves the right to reject any subscription, in whole or in part, or to allocate to any prospective investor less than the number of securities subscribed for. There is no minimum investment or minimum offering.

4. PIGGY BACK REGISTRATION RIGHTS.

4.1 If, at any time during the period beginning on the day after the acceptance of this Agreement by the Company (the "Closing Date") and ending 12 months after the Closing Date the Company proposes to file a registration statement under the Act with respect to an offering for its own account of any class of its equity securities (other than a registration statement on Form S-8 (or any successor form) or any other registration statement relating solely to employee benefit plans or filed in connection with an exchange offer, a transaction to which Rule 145 (or any successor provision) under the Act applies or an offering of securities solely to the Company's existing shareholders), then the Company shall in each case give written notice of such proposed filing to Subscriber (the "the Holder") as soon as practicable (but no later than 20 business days) before the anticipated filing date, and such notice shall offer Holder the opportunity to register such number of Shares held by Holder on such date (the "Restricted Stock") as such Holder may request. Holder desiring to have Restricted Stock included in such registration statement shall so advise the Corporation in writing within 10 business days after the date on which the Company's notice is so given, setting forth the number of shares of Restricted Stock for which registration is requested. If the Company's offering is to be an underwritten offering, the Company shall, subject to the further provisions of this Agreement, use its reasonable best efforts to cause the managing underwriter or underwriters to permit the Restricted Stock requested to be included in the registration for such offering to include in such offering on the same terms and conditions as any similar securities of the Company included therein. The right of Holder to registration pursuant to this Section 4 in connection with an underwritten offering by the Company shall, unless the Company otherwise assents, be conditioned upon Holder's participation as a seller in such underwritten offering and its execution of an underwriting agreement with the managing underwriter or underwriters selected by the Company. Notwithstanding the foregoing, if the managing underwriter or underwriters of such offering deliver a written opinion to the Company that either because of (a) the kind of securities that the Company, the Holder and any other persons or entities intend to include in such offering or (b) the size of the offering that the Company, the Holder and any other persons or entities intend to make, the success of the offering would be materially and adversely affected by inclusion of the Restricted Stock requested to be included, then in the event that the size of the offering is the basis of such managing underwriter's opinion, the number of shares of Restricted Stock to be registered and offered for the account of Holder shall be reduced to the extent necessary to reduce the total amount of securities to be included in such offering to the amount recommended by such managing underwriter or underwriters.

5. MISCELLANEOUS. Any notice or other communication given hereunder shall be deemed sufficient if in writing and sent by registered or certified mail, return receipt requested, or delivered by hand against written receipt therefore, addressed as follows:

If to the Company, to it at: BASANITE, INC.

2688 NW 29th Terrace, Building 13
Oakland Park, Florida 33311
Attention: CEO

If to the Subscriber, to the Subscriber's address indicated on the signature page of this Agreement.

Notices shall be deemed to have been given or delivered on the date of mailing, except notices of change of address, which shall be deemed to have been given or delivered when received.

5.1 Except as otherwise provided herein, this Agreement shall not be changed, modified or amended except by a writing signed by the parties to be changed, and this Agreement may not be discharged except by performance in accordance with its terms or by a writing signed by the party to be charged.

5.2 This Agreement shall be binding upon and inure to the benefit of the parties hereto and to their respective heirs, legal representatives, successors and assigns. This Agreement sets forth the entire agreement and understanding between the parties as to the subject matter hereof and merges and supersedes all prior discussions, agreements and understandings of any and every nature among them.

5.3 Upon the execution and delivery of this Agreement by the Subscriber, this Agreement shall become a binding obligation of the Subscriber with respect to the purchase of Shares as herein provided, subject, however, to the right hereby reserved by the Company to enter into the same agreements with other subscribers and to add and/or delete other persons as subscribers.

5.4 This Subscription Agreement shall be governed by and construed in accordance with the domestic laws of the State of Florida without giving effect to any choice or conflict of law provision or rule (whether of the State of Florida or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Florida. The parties further: (i) agree that any legal suit, action or proceeding arising out of or relating to this Subscription Agreement shall be instituted exclusively in any Federal or State court of competent jurisdiction within Broward County, State of Florida, (ii) waive any objection that they may have now or hereafter to the venue of any such suit, action or proceeding, and (iii) irrevocably consent to the in personal jurisdiction of any Federal or State court of competent jurisdiction within Broward County, State of Florida in any such suit, action or proceeding. The parties each further agree to accept and acknowledge service of any and all process which may be served in any such suit, action or proceeding in a Federal or State court of competent jurisdiction within Broward County, State of Florida, and that service of process upon the parties mailed by certified mail to their respective addresses shall be deemed in every respect effective service of process upon the parties, in any action or proceeding.

5.5 In order to discourage frivolous claims the parties agree that unless a claimant in any proceeding arising out of this Agreement succeeds in establishing his claim and recovering a judgment against another party (regardless of whether such claimant succeeds against one of the other parties to the action), then the other party shall be entitled to recover from such claimant all of its/their reasonable legal costs and expenses relating to such proceeding and/or incurred in preparation therefor.

5.6 The holding of any provision of this Agreement to be invalid or unenforceable by a court of competent jurisdiction shall not affect any other provision of this Agreement, which shall remain in full force and effect. If any provision of this Agreement shall be declared by a court of competent jurisdiction to be invalid, illegal or incapable of being enforced in whole or in part, such provision shall be interpreted so as to remain enforceable to the maximum extent permissible consistent with applicable law and the remaining conditions and provisions or portions thereof shall nevertheless remain in full force and effect and enforceable to the extent they are valid, legal and enforceable, and no provisions shall be deemed dependent upon any other covenant or provision unless so expressed herein.

5.7 It is agreed that a waiver by either party of a breach of any provision of this Agreement shall not operate, or be construed, as a waiver of any subsequent breach by that same party.

5.8 All of the representations and warranties contained in this Subscription Agreement shall survive execution and delivery of this Subscription Agreement and the undersigned's investment in the Company.

5.9 The parties hereto agree to execute and deliver all such further documents, agreements and instruments and take such other and further action as may be necessary or appropriate to carry out the purposes and intent of this Agreement.

5.10 This Agreement may be executed in two or more counterparts each of which shall be deemed an original, but, all of which shall together constitute one and the same instrument.

5.11 Nothing in this Agreement shall create or be deemed to create any rights in any person or entity not a party to this Agreement.

5.12 Facsimile copies of signed original counterparts of this Subscription Agreement shall have the same legal force and effect as such original signed counterparts.

IN WITNESS WHEREOF, the undersigned have executed this Subscription Agreement as of _____ 2019.

**SUBSCRIPTION AGREEMENT COUNTERPART SIGNATURE PAGE
[INDIVIDUAL]**

If the prospective investor is an individual, please execute this Agreement below.

Signature:*

Printed Name:

And (if applicable)

Signature:*

Printed Name: _____

HOW SHARES WILL BE HELD:

Individually _____

JTWROS _____

TBTE _____

Number of Shares Subscribed for: _____

Amount Subscribed for: \$ _____

Address:

*If investment is taken in joint names, both must sign.



[ACCEPTANCE PAGE FOR SUBSCRIPTION AGREEMENT]

Agreed to and accepted for _____ Shares as of _____, 2019

BASANITE, INC.

By: _____
Name: David Anderson

NEITHER THIS SECURITY NOR ANY SECURITIES WHICH MAY BE ISSUED UPON EXERCISE OF THIS SECURITY HAVE BEEN REGISTERED WITH THE U.S. SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY U.S. STATE OR OTHER JURISDICTION OR ANY EXCHANGE OR SELF-REGULATORY ORGANIZATION, IN RELIANCE UPON EXEMPTIONS FROM REGISTRATION UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED, AND SUCH OTHER LAWS AND REQUIREMENTS, AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD, EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT OR LISTING OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, SUCH REGISTRATION AND/OR LISTING REQUIREMENTS AS EVIDENCED BY A LEGAL OPINION OF COUNSEL TO THE TRANSFEROR TO SUCH EFFECT, THE SUBSTANCE OF WHICH WILL BE REASONABLY ACCEPTABLE TO THE COMPANY.

COMMON STOCK WARRANT

_____, 2019

BASANITE, Inc., a Nevada corporation (the "Company"), hereby certifies that _____, his permissible transferees, designees, successors and assigns (collectively, the "Holder"), for value received, is entitled to purchase from the Company commencing on the date of execution of this document and terminating on _____, 2024 (the "Termination Date") _____ shares (each, a "Share" and collectively the "Shares") of the Company's common stock, \$0.001 par value (the "Common Stock"), at an exercise price per Share equal to \$ _____ (the "Exercise Price").

The number of Shares purchasable hereunder and the Exercise Price are subject to adjustment as provided in Section 4 hereof.

1. Method of Exercise; Payment.

(a) Cash Exercise. The purchase rights represented by this Common Stock Warrant (the "Warrant") may be exercised for cash only, by the Holder, in whole or in part at any time, or from time to time, by the surrender of this Warrant (with the election to purchase form (the "Election to Purchase") attached hereto as Attachment A duly executed) at the principal office of the Company, and by payment to the Company of an amount equal to the Exercise Price multiplied by the number of the Shares being purchased, which amount may be paid, at the election of the Holder, by wire transfer or certified check payable to the order of the Company. The person or persons in whose name(s) any certificate(s) representing Shares shall be issuable upon exercise of this Warrant shall be deemed to have become the holder(s) of record of, and shall be treated for all purposes as the record holder(s) of, the Shares represented thereby (and such Shares shall be deemed to have been issued) immediately prior to the close of business on the date or dates upon which this Warrant is exercised.

(b) Mandatory Exercise. In the event the share price of the Company's Common Stock closes at or above the Exercise Price for 20 consecutive trading days, then the Company shall have the option to require exercise of the Common Stock Warrant within 10 business days in accordance with Section 1 (a) of this Agreement. If the Warrants have not been exercised within ten (10) business days after receiving written notice from the Company that it is exercising its right to require exercise of the Warrants, the Warrants shall be cancelled.

(c) Stock Certificates. In the event of any exercise of the rights represented by this Warrant, as promptly as practicable after this Warrant is surrendered and delivered to the Company along with all other appropriate documentation on or after the date of exercise and in any event within ten (10) days thereafter, the Company at its expense shall issue and deliver to the person or persons entitled to receive the same a certificate or certificates for the number of Shares issuable upon such exercise. In the event this Warrant is exercised in part, the Company at its expense will execute and deliver a new Warrant of like tenor exercisable for the number of Shares for which this Warrant may then be exercised.

(d) Taxes. The issuance of the Shares upon the exercise of this Warrant, and the delivery of certificates or other instruments representing such Shares, shall be made without charge to the Holder for any tax or other charge in respect of such issuance.

2. Warrant.

(a) Exchange, Transfer and Replacement. At any time prior to the exercise hereof, this Warrant may be exchanged upon presentation and surrender to the Company, alone or with other warrants of like tenor of different denominations registered in the name of the same Holder, for another warrant or warrants of like tenor in the name of such Holder exercisable for the aggregate number of Shares as the warrant or warrants surrendered.

(b) Replacement of Warrant. Upon receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction, or mutilation of this Warrant and, in the case of any such loss, theft, or destruction, upon delivery of an indemnity agreement reasonably satisfactory in form and amount to the Company, or, in the case of any such mutilation, upon surrender and cancellation of this Warrant, the Company, at its expense, will execute and deliver in lieu thereof, a new Warrant of like tenor.

(c) Cancellation; Payment of Expenses. Upon the surrender of this Warrant in connection with any transfer, exchange or replacement as provided in this Section 2, this Warrant shall be promptly canceled by the Company. The Holder shall pay all taxes and all other expenses (including legal expenses, if any, incurred by the Holder or transferees) and charges payable in connection with the preparation, execution and delivery of Warrant pursuant to this Section 2.

(d) Warrant Register. The Company shall maintain, at its principal executive offices (or at the offices of the transfer agent for the Warrant or such other office or agency of the Company as it may designate by notice to the holder hereof), a register for this Warrant (the "Warrant Register"), in which the Company shall record the name and address of the person in whose name this Warrant has been issued, as well as the name and address of each transferee and each prior owner of this Warrant.

3. Rights and Obligations of Holders of this Warrant. The Holder of this Warrant shall not, by virtue hereof, be entitled to any rights of a stockholder in the Company, either at law or in equity; provided, however, that in the event any certificate representing shares of Common Stock or other securities is issued to the holder hereof upon exercise of this Warrant, such holder shall, for all purposes, be deemed to have become the holder of record of such Common Stock on the date on which this Warrant, together with a duly executed Election to Purchase, was surrendered and payment of the aggregate Exercise Price was made, irrespective of the date of delivery of such Common Stock certificate.

4. Adjustments.

(a) Stock Dividend; Reclassifications; Recapitalizations; Etc. While this Warrant is outstanding, in the event the Company: (i) subdivides its outstanding Common Stock into a greater

number of shares, (ii) combines its outstanding Common Stock into a smaller number of shares or (iii) increases or decreases the number of shares of Common Stock outstanding by reclassification of its Common Stock, then (1) the Exercise Price on the record date of such division or distribution or the effective date of such action shall be adjusted by multiplying such Exercise Price by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately before such event and the denominator of which is the number of shares of Common Stock outstanding immediately after such event, and (2) the number of shares of Common Stock for which this Warrant may be exercised immediately before such event shall be adjusted by multiplying such number by a fraction, the numerator of which is the Exercise Price immediately before such event and the denominator of which is the Exercise Price immediately after such event. No adjustment on account of cash dividends or interest on the Company's Common Stock or other securities purchasable hereunder will be made to this Warrant.

(b) Combination; Liquidation. While this Warrant is outstanding, in the event of a Combination (as defined below), each Holder shall have the right to receive upon exercise of the Warrant the kind and amount of shares of capital stock or other securities or property which such Holder would have been entitled to receive upon or as a result of such Combination had such Warrant been exercised immediately prior to such event (subject to further adjustment in accordance with the terms hereof). Unless paragraph (ii) is applicable to a Combination, the Company shall provide that the surviving or acquiring Person (the "Successor Company") in such Combination will assume by written instrument the obligations under this Section 4 and the obligations to deliver to the Holder such shares of stock, securities or assets as, in accordance with the foregoing provisions, the Holder may be entitled to acquire. "Combination" means an event in which the Company consolidates with, mergers with or into, or sells all or substantially all of its assets to another Person, where "Person" means any individual, corporation, partnership, joint venture, limited liability company, association, joint-stock company, trust, unincorporated organization, government or any agency or political subdivision thereof or any other entity.

(c) Notice of Adjustment. Whenever the Exercise Price or the number of shares of Common Stock and other property, if any, issuable upon exercise of the Warrant is adjusted, as herein provided, the Company shall deliver to the holders of the Warrant in accordance with Section 8 a certificate of the Company's Chief Financial Officer setting forth, in reasonable detail, the event requiring the adjustment and the method by which such adjustment was calculated, and specifying the Exercise Price and number of shares of Common Stock issuable upon exercise of Warrant after giving effect to such adjustment.

5. Fractional Shares. In lieu of the issuance of a fractional share upon any exercise hereunder the Company will issue an additional whole share.

6. Legends. Prior to issuance of the shares of Common Stock underlying this Warrant, all such certificates representing such shares shall bear a restrictive legend to the effect that the Shares represented by such certificate have not been registered under the Securities Act of 1933 Act, as amended (the "1933 Act") and that the Shares may not be sold or transferred in the absence of such registration or an exemption therefrom, such legend to be substantially in the form of the bold-face language appearing at the top of first page of this Warrant.

7. Disposition of Warrants or Shares. The Holder of this Warrant, each transferee hereof and any holder and transferee of any Shares, by his or its acceptance thereof, agrees that no public distribution of Warrants or Shares will be made in violation of the provisions of the 1933 Act. Furthermore, it shall be a condition to the transfer of this Warrant that any transferee thereof deliver to the

13. Modification and Waiver. This Warrant and any provision hereof may be amended, waived, discharged or terminated only by an instrument in writing signed by the Company and the Holder.

14. Assignment. Subject to prior written approval by the Company, this Warrant may be transferred or assigned, in whole or in part, at any time and from time to time by the then Holder by submitting this Warrant to the Company together with a duly executed Assignment in substantially the form and substance of the Form of Assignment which accompanies this Warrant, as Attachment B hereto, and, upon the Company's receipt hereof, and in any event, within five (5) business days thereafter, the Company shall issue a warrant to the Holder to evidence that portion of this Warrant, if any as shall not have been so transferred or assigned.

IN WITNESS WHEREOF, the Company has caused this Warrant to be duly executed, manually or by facsimile, by one of its duly authorized officers.

COMPANY

Basanite, Inc.

/s/

Name: David Anderson

Title: CEO

Attachment a
TO
WARRANT

ELECTION TO PURCHASE

To Be Executed by the Holder in Order to Exercise the Warrant

The undersigned Holder hereby elects to purchase _____ Shares pursuant to the attached Warrant, and requests that certificates for securities be issued in the name of:

(Please type or print name and address)

(Social Security or Tax Identification Number)

and delivered to:

(Please type or print name and address if different from above)

If such number of Shares being purchased hereby shall not be all the Shares that may be purchased pursuant to the attached Warrant, a new Warrant for the balance of such Shares shall be registered in the name of, and delivered to, the Holder at the address set forth below.

In full payment of the purchase price with respect to the Shares purchased and transfer taxes, if any, the undersigned hereby tenders payment of \$ _____ by check, money order or wire transfer payable in United States currency to the order of _____ (the "Company").

HOLDER:

By: _____
Name: _____
Title: _____
Address: _____
Dated: _____



ATTACHMENT B
TO
WARRANT

FORM OF ASSIGNMENT

(To be signed only on transfer of Warrant)

For value received, the undersigned hereby sells, assigns, and transfers unto _____ the right represented by the within Warrant to purchase _____ shares of Common Stock of _____ (the "Company"), to which the within Warrant relates, and appoints _____ attorney to transfer such right on the books of the Company, with full power of substitution of premises.

By: _____
Name: _____
Title: _____
(signature must conform to name of holder as
specified on the fact of the Warrant)
Address: _____
Dated: _____

Signed in the presence of:

Dated: _____

Subsidiaries

Paymeon Brands, Inc.
HLM Paymeon, Inc.
Basalt America, LLC (formerly Rockstar Acquisitions, LLC)
Basalt America Territory 1, LLC (majority owned)
Basalt America Territory 2, LLC
Ebike, LLC
A Better Bike, LLC
Xtreme Fat Tire Bike Holdings, LLC
Basanite Industries, LLC

OFFICER'S CERTIFICATE
Pursuant to Rule 13a-14(a)/15d-14(a)

I, Dave Anderson, Interim Chief Executive Officer, certify that:

1. I have reviewed this Form 10-K for the year ended December 31, 2018, of Basanite, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15 (e) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or cause such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 28, 2019

By: /s/ Dave Anderson
Name: Dave Anderson
Title: Interim Chief Executive Officer

OFFICER'S CERTIFICATE
Pursuant to Rule 13a-14(a)/15d-14(a)

I, Dave Anderson, Interim Principal Officer, certify that:

1. I have reviewed this Form 10-K for the year ended December 31, 2018, of Basanite, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15 (e) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or cause such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 28, 2019

By: /s/ Dave Anderson
Name: Dave Anderson
Title: Interim Principal Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Basanite, Inc. (the "Company") on Form 10-K for the year ended December 31, 2018 as filed with the United States Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, in the capacities and on the dates indicated below, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operation of the Company.

Date: March 28, 2019

By: /s/ Dave Anderson
Name: Dave Anderson
Title: Interim Chief Executive Officer and
Interim Principal Officer

A signed original of this written statement required by Section 906, or other document authentications, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to PayMeOn, Inc. and will be retained by PayMeOn, Inc. and furnished to the United States Securities and Exchange Commission or its staff upon request.