

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

FORM 10-Q

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

For the quarterly period ended: **June 30, 2019**

Or

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

For the transition period from: _____ to _____

Commission File Number: 000-53574

Basanite, Inc.

(Exact name of registrant as specified in its charter)

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

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

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

(954) 532-4653
(Registrant's telephone number, including area code)

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

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 Exchange Act). Yes No

Securities registered pursuant to Section 12(b) of the Act: None.

Title of each class	Trading Symbol(s)	Name of each exchange on which registered

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

Class	Shares Outstanding as of August 18, 2019
Common Stock, \$0.001 Par Value Per Share	196,902,278

BASANITE, INC. AND SUBSIDIARIES
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PART I. – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

BASANITE, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	June 30, 2019 (Unaudited)	December 31, 2018
ASSETS		
CURRENT ASSETS		
Cash	\$ 927,480	\$ 121,831
Accounts receivable, net	2,898	883
Inventory	168,445	56,586
Prepaid expenses	41,030	83,177
Other current assets	191,971	24,000
TOTAL CURRENT ASSETS	<u>1,331,824</u>	<u>286,477</u>
Lease right of use asset	1,326,588	—
Fixed assets, net	624,107	23,700
Deposits	22,500	200,000
	<u>1,973,195</u>	<u>223,700</u>
TOTAL ASSETS	<u>\$ 3,305,019</u>	<u>\$ 510,177</u>
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES		
Accounts payable	\$ 233,764	\$ 1,002,238
Due to related party	—	3,422
Accrued expenses	465,618	633,047
Accrued legal liability	781,294	—
Notes payable	222,462	—
Notes payable - related party	—	325,425
Notes payable - convertible	303,524	293,524
Notes payable - convertible - related party	50,000	290,273
Lease liability - current portion	206,053	—
TOTAL CURRENT LIABILITIES	<u>2,262,715</u>	<u>2,547,929</u>
Lease liability - net of current portion	1,218,165	—
TOTAL LIABILITIES	<u>3,480,880</u>	<u>2,547,929</u>
COMMITMENTS AND CONTINGENCIES (SEE NOTE 9)	—	—
STOCKHOLDERS' DEFICIT		
Preferred stock, \$0.001 par value, 5,000,000 shares authorized, none issued and outstanding, respectively as of June 30, 2019 and December 31, 2018	—	—
Common stock, \$0.001 par value, 1,000,000,000 shares authorized, 196,902,278 and 154,202,008 shares issued and outstanding, respectively as of June 30, 2019 and December 31, 2018	196,903	154,202
Additional paid in capital	23,249,862	18,718,283
Accumulated deficit	(23,622,626)	(21,135,252)
TOTAL STOCKHOLDERS' DEFICIT - CONTROLLING INTEREST	<u>(175,861)</u>	<u>(2,262,767)</u>
Non-controlling interest	—	225,015
TOTAL STOCKHOLDERS' DEFICIT	<u>(175,861)</u>	<u>(2,037,752)</u>
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	<u>\$ 3,305,019</u>	<u>\$ 510,177</u>

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

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

	For the three months ended June 30,		For the six months ended June 30,	
	2019	2018	2019	2018
Revenue				
Products Sales - Rebar	\$ 2,898	\$ 5,872	\$ 2,898	\$ 84,152
Total revenue	<u>2,898</u>	<u>5,872</u>	<u>2,898</u>	<u>84,152</u>
Total cost of goods sold	<u>41,176</u>	<u>8,546</u>	<u>44,469</u>	<u>86,987</u>
Gross loss	<u>(38,278)</u>	<u>(2,674)</u>	<u>(41,571)</u>	<u>(2,835)</u>
OPERATING EXPENSES				
Professional fees	62,410	56,982	214,274	90,370
Payroll, taxes and benefits	227,697	69,438	317,309	166,432
Consulting	58,017	118,742	216,090	219,691
General and administrative	1,245,688	318,840	1,499,717	788,060
Bad debt expense	—	—	—	24,242
Total operating expenses	<u>1,593,812</u>	<u>564,002</u>	<u>2,247,390</u>	<u>1,288,795</u>
NET LOSS FROM OPERATIONS	<u>(1,632,090)</u>	<u>(566,676)</u>	<u>(2,288,961)</u>	<u>(1,291,630)</u>
OTHER INCOME (EXPENSE)				
Gain on sale of a fixed asset	—	—	700	—
Miscellaneous income	1,274	—	1,274	—
Gain on settlement of payable	137,497	—	137,497	—
Gain (loss) on extinguishment of debt	2,886	(90,061)	2,886	(90,061)
Impairment of fixed assets	(1,478)	—	(1,478)	—
Interest expense	(15,632)	(29,546)	(47,142)	(52,408)
Total other income (expense)	<u>124,547</u>	<u>(119,607)</u>	<u>93,737</u>	<u>(142,469)</u>
LOSS FROM CONTINUING OPERATIONS BEFORE DISCONTINUED OPERATIONS	<u>(1,507,543)</u>	<u>(686,283)</u>	<u>(2,195,224)</u>	<u>(1,434,099)</u>
LOSS FROM DISCONTINUED OPERATIONS	<u>—</u>	<u>(10,912)</u>	<u>—</u>	<u>(19,153)</u>
Deemed dividends	<u>(292,150)</u>	<u>—</u>	<u>(292,150)</u>	<u>—</u>
NET LOSS	<u>(1,799,693)</u>	<u>(697,195)</u>	<u>(2,487,374)</u>	<u>(1,453,252)</u>
Net loss attributable to non-controlling interest	<u>—</u>	<u>(595)</u>	<u>—</u>	<u>352</u>
Net loss attributable to controlling interest	<u>\$ (1,799,693)</u>	<u>\$ (696,600)</u>	<u>\$ (2,487,374)</u>	<u>\$ (1,453,604)</u>
Net loss per share - basic and diluted				
Continuing operations	<u>\$ (0.008)</u>	<u>\$ (0.005)</u>	<u>\$ (0.013)</u>	<u>\$ (0.011)</u>
Discontinued operations	<u>\$ (0.000)</u>	<u>\$ (0.000)</u>	<u>\$ (0.000)</u>	<u>\$ (0.000)</u>
Total	<u>\$ (0.008)</u>	<u>\$ (0.005)</u>	<u>\$ (0.013)</u>	<u>\$ (0.011)</u>
Weighted average number of shares outstanding - basic and diluted	<u>188,411,391</u>	<u>131,018,674</u>	<u>174,155,883</u>	<u>130,060,338</u>

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

BASANITE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIT)
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2019 AND 2018
(Unaudited)

	Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Subscription Receivable	Non- controlling Interest	Total Stockholders' Equity (Deficit)
	Shares	Par Value	Shares	Par Value					
Balance January 1, 2018	—	\$ —	128,305,800	\$ 128,306	\$14,917,066	\$(15,225,303)	\$ (500)	\$224,475	\$ 44,044
Stock-based compensation	—	—	—	—	278,304	—	—	—	278,304
Stock issued for cash	—	—	1,858,333	1,858	479,392	—	—	—	481,250
Related party forgiveness of debt	—	—	—	—	215,300	—	—	—	215,300
Subscription receivable	—	—	—	—	—	—	500	—	500
Net loss	—	—	—	—	—	(755,814)	—	(243)	(756,057)
Balance March 31, 2018	—	—	130,164,133	130,164	15,890,062	(15,981,117)	—	224,232	263,341
Stock-based compensation	—	—	—	—	207,788	—	—	—	207,788
Stock issued for cash	—	—	579,966	580	93,411	—	—	—	93,991
Shares issued for debt extension	—	—	274,575	275	89,786	—	—	—	90,061
Net income (loss)	—	—	—	—	—	(696,600)	—	(595)	(697,195)
Balance June 30, 2018	—	\$ —	131,018,674	\$ 131,019	\$16,281,047	\$(16,677,717)	\$ —	\$223,637	\$ (42,014)

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

BASANITE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIT)
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2019 AND 2018
(Unaudited)

	Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Non- controlling Interest	Total Stockholders' Deficit
	Shares	Par Value	Shares	Par Value				
Balance January 1, 2019	—	\$ —	154,202,008	\$ 154,202	\$18,718,283	\$(21,135,252)	\$ 225,015	\$(2,037,752)
Shares issued to convert notes payable	—	—	1,700,985	1,701	507,477	—	—	509,178
Stock-based compensation	—	—	—	—	73,603	—	—	73,603
Stock issued for cash	—	—	15,500,000	15,500	759,500	—	—	775,000
Stock issued to purchase non-controlling interest in Basalt America Territory #1	—	—	2,010,000	2,010	223,005	—	(225,015)	—
Net loss	—	—	—	—	—	(687,681)	—	(687,681)
Balance March 31, 2019	—	—	173,412,993	173,413	20,281,868	(21,822,933)	—	(1,367,652)
Stock-based compensation	—	—	—	—	1,045,734	—	—	1,045,734
Stock issued for cash	—	—	5,778,570	5,779	479,221	—	—	485,000
Warrants exercised for cash	—	—	17,710,715	17,711	1,150,889	—	—	1,168,600
Deemed dividend on common stock	—	—	—	—	292,150	—	—	292,150
Net loss	—	—	—	—	—	(1,799,693)	—	(1,799,693)
Balance June 30, 2019	—	\$ —	196,902,278	\$ 196,903	\$23,249,862	\$(23,622,626)	\$ —	\$(175,861)

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

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

	For the six months ended	
	June 30,	
	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss attributable to controlling interests	\$ (2,487,374)	\$ (1,453,604)
Adjustments to reconcile net loss to net cash used in operating activities:		
Bad debt expense	—	24,242
Amortization of right of use asset	97,630	—
Depreciation	4,409	19,879
Loss on extinguishment of debt	—	90,061
Impairment of fixed assets	1,478	—
Deemed dividend	292,150	—
Stock-based compensation	1,119,336	486,092
Amortization of license agreement	—	25,205
Changes in operating assets and liabilities:		
(Increase) decrease in prepaid expense	28,574	(54,040)
(Increase) decrease in inventory	(111,859)	80,891
(Increase) decrease in deposit	—	(200,000)
(Increase) decrease in accounts receivable	(2,015)	(82,790)
(Increase) in other current assets	(167,971)	—
Increase in accounts payable and accrued expenses	(6,734)	140,342
Net cash used in operating activities	<u>(1,232,376)</u>	<u>(923,722)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of equipment	(406,294)	(2,935)
Deposits on machinery and equipment	(22,500)	—
Net cash used in investing activities	<u>(428,794)</u>	<u>(2,935)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from related party, net	—	303,300
Repayment of convertible notes payable	(20,000)	—
Proceeds from notes payable and notes payable related	274,070	—
Repayment of note payable	(50,000)	(30,000)
Proceeds from sale of common stock	2,262,749	475,741
Net cash provided by financing activities	<u>2,466,819</u>	<u>749,041</u>
NET INCREASE (DECREASE) IN CASH	805,649	(177,616)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>121,831</u>	<u>188,738</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 927,480</u>	<u>\$ 11,122</u>
Supplemental cash flow information:		
Cash paid for interest expense	<u>\$ 10,180</u>	<u>\$ —</u>
Supplemental disclosure of non cash investing and financing activities:		
Related party forgiveness recorded as additional paid-in capital	<u>\$ —</u>	<u>\$ 215,300</u>
Conversion of notes payable into common stock	<u>\$ 509,178</u>	<u>\$ —</u>
Commons shares issued to acquire interest in joint venture	<u>\$ 502,500</u>	<u>\$ —</u>

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

BASANITE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2019 AND 2018
(UNAUDITED)

NOTE 1 – ORGANIZATION, NATURE OF BUSINESS AND GOING CONCERN

(A) Overview and Basis of Presentation

On May 30, 2006, Basanite, Inc., was organized as a Nevada corporation. Basanite and its wholly owned subsidiaries are herein referred to as the "Company". Currently based in Pompano Beach, Florida, the Company manufactures concrete-reinforcing products made from basalt fiber reinforced polymers (BFRP) such as its primary product BasaFlex. This UV-stable, chemical, acid and moisture resistant material is sustainable and environmentally friendly and has been engineered to replace steel as it never rusts therefore addressing the industry's current corrosion issues.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules and regulations of the Securities and Exchange Commission for interim financial information. Accordingly, they do not include all of the information necessary for a comprehensive presentation of financial position and results of operations. The interim results for the period ended June 30, 2019 are not necessarily indicative of results for the full fiscal year. It is management's opinion, however that all material adjustments (consisting of normal recurring adjustments) have been made which are necessary for a fair financial statement presentation.

(B) Principles of Consolidation

The accompanying condensed consolidated financial statements include the accounts of Basanite, Inc. and its wholly owned subsidiaries, Basanite Industries, LLC and Basalt America formerly known as Rockstar Acquisitions, LLC.

(C) Liquidity and Management Plans

Since inception, the Company has incurred net operating losses and used cash in operations. As of June 30, 2019, the Company has an accumulated deficit of approximately \$23.6 million, a working capital deficiency of approximately \$931,000 and cash used in operations of approximately \$1,232,000 for the six months ended June 30, 2019. Losses have principally occurred as a result of the substantial resources required for product development and marketing of the Company's products which included the general and administrative expenses associated with its organization and product development.

The Company believes that it has sufficient capital to fund its planned operations to enter into the fourth quarter of calendar year 2019.

These conditions raise substantial doubt about the Company's ability to continue as a going concern. These condensed 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.

(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.

BASANITE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2019 AND 2018
(UNAUDITED)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(C) 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. Raw inventory is comprised of basalt fiber and other necessary elements to produce the basalt rebar. On a quarterly basis, the Company analyzes its inventory levels and records allowances for inventory that has become obsolete and inventory that has a cost basis in excess of the expected net realizable value. As of June 30, 2019 and December 31, 2018, the inventory reserve for these factors was \$0 and \$240,121, respectively. The Company's inventory at June 30, 2019 and December 31, 2018 was comprised of:

	June 30, 2019 (Unaudited)	December 31, 2018
Finished goods	\$ 139,812	\$ 56,586
Raw materials	28,633	—
Inventory, net	<u>\$ 168,445</u>	<u>\$ 56,586</u>

(D) Fixed assets

Fixed assets consist of the following:

	June 30, 2019 (unaudited)	December 31, 2018
Computer equipment	\$ 7,268	\$ 13,813
Machinery, net of impairment	522,807	20,000
Leasehold improvements	17,205	-
Office furniture and equipment	62,926	-
Trade show materials	24,700	-
Website development	24,775	24,775
	659,681	58,588
Accumulated depreciation	(35,574)	(34,888)
	<u>\$ 624,107</u>	<u>\$ 23,700</u>

Depreciation expense for the three and six months ended June 30, 2019 was \$2,851 and \$4,409, respectively, compared to \$9,940 and \$19,879 to the three and six months ended June 30, 2018.

(E) 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	June 30, 2019 (unaudited)	December 31, 2018
Options	5,067,500	2,587,500
Warrants	30,009,523	18,025,000
Convertible shares	—	2,715,897
Total common share equivalents	<u>35,077,023</u>	<u>23,328,397</u>

BASANITE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2019 AND 2018
(UNAUDITED)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(F) 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.

(G) Noncontrolling Interests in Consolidated Financial Statements

Accounting guidance on non-controlling interests in condensed 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 \$0 and \$540 for the six months and year ended June 30, 2019 and December 31, 2018, respectively are included in the condensed 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 issued 2,010,000 restricted common shares. The non-controlling investors were issued these shares on March 21, 2019 and the Company took 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 condensed consolidated financial statements. As a result of this unwinding, Basalt America Territory 1, LLC was fully consolidated into Basalt America.

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 has adopted this standard and realized no material impact of the adoption of ASU 2018-07 on its condensed 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 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 has adopted this standard effective January 1, 2019 using the modified retrospective model. Discussion of the impact of this standard is included in Note 4 – Operating Lease.

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.

BASANITE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2019 AND 2018
(UNAUDITED)

NOTE 4 – OPERATING LEASE

On January 31, 2019, the Company entered into an agreement to lease approximately 25,470 square feet of office and manufacturing space in Pompano Beach, Florida. The term is approximately five years and two months. On March 25, 2019, the Company entered into an amendment to the agreement to increase the square footage of leased premises to 36,900 square feet increasing the Company’s base rent obligation to be approximately \$33,825 per month for one year and nine months and thereafter, increasing annually at a rate of three percent for the remainder of the lease term. The aggregate base rent payments for the term of the lease is \$2,073,344. Additionally, the lease deposit required under the lease amendment is \$74,000.

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 recorded a lease right of use asset and a lease liability at present value of \$1,405,804, respectively. The Company recorded this amount 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 lease right of use asset will be amortized over the term of the lease. For the six months ended June 30, 2019, the Company recorded rent expense of \$173,370. The future minimum lease payments to be made under operating lease as of June 30, 2019:

2019	202,950
2020	405,900
2021	415,033
2022	427,484
2023	440,308
2024	110,884
Total	\$ 2,002,559

The following maturity schedule of lease liability as of June 30, 2019:

June 30, 2019	
(Unaudited)	
2020	206,053
2021	242,259
2022	294,345
2023	355,199
2024	326,362
Total lease payments	\$ 1,424,218

Operating lease liabilities are based on the net present value of the remaining lease payments over the remaining lease term. In determining the present value of lease payments, the Company used the incremental borrowing rate based on the information available at the lease commencement date. As of June 30, 2019, the weighted-average remaining lease term is 4.75 years and the weighted-average discount rate used to determine the operating lease liability was 15.0%. For the three months ended June 30, 2019 and 2018, the Company expensed \$92,478 and \$13,444, respectively for rent. For the six months ended June 30, 2019 and 2018, the Company expensed \$211,696 and \$75,590, respectively for rent.

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NOTE 5 – NOTES PAYABLE – RELATED PARTY – CONVERTIBLE

Notes Payable – Related Party – Convertible totaled \$50,000 and \$290,273 at June 30, 2019 and December 31, 2018, respectively. In March 2019, under the terms of the original agreements, the principal balance of the outstanding notes payable totaling \$290,273 plus accrued interest totaling \$131,178, was converted into 1,700,985 restricted common shares.

On January 18, 2019, the Company entered into secured convertible promissory note agreement 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 notes may be converted into shares of the Company's common stock for a conversion price of \$0.05 per share. If the note is converted, the investor is entitled to receive five-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. As of June 30, 2019, this note had accrued interest in the amount of \$3,372.

NOTE 6 – NOTES PAYABLE – CONVERTIBLE

Notes Payable – Convertible consists of the following at June 30, 2019 and December 31, 2018, respectively:

		<u>June 30,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
		(unaudited)	
Note Payable – convertible at \$0.35 per share	(a)	\$ 283,524	\$ 293,524
Note Payable – convertible at \$0.05 per share	(b)	20,000	—
		<u>\$ 303,524</u>	<u>\$ 293,524</u>

(a) As indicated below, the Company entered into a convertible note bearing an interest rate of 15%. Under terms of the agreement, the rate of interest on this note increased to 15% effective January 18, 2019. The Company has begun making monthly payments but is not current as required by an extension and is therefore in default under this agreement. As a result, the Company has classified this note as a current liability.

(b) On January 18, 2019, the Company entered into a secured convertible promissory note agreement with an accredited investor in the amount of \$20,000. This note has a term of 180 days bearing an interest rate of 15% per annum. At the Company's sole option, the note can be converted into shares of the Company's common stock for a conversion price of \$0.05 per share. If the note is converted, the investor is entitled to receive five-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. As of June 30, 2019, the note had accrued interest of \$1,349.

Interest expense for the Company's convertible notes payable for the three and six months ended June 30, 2019 was \$9,503 and \$25,119, respectively, compared to \$5,236 and \$10,414 to the three and six months ended June 30, 2018. Accrued interest for the Company's convertible notes payable at June 30, 2019 and December 31, 2018 was \$77,546 and \$66,558.

NOTE 7 – NOTES PAYABLE

Notes Payable consists of the following as of June 30, 2019 and December 31, 2018, respectively:

		<u>June 30,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
		(unaudited)	
Demand notes payable	(a)	\$ 191,965	\$ —
Notes payable	(b)	30,497	—
		<u>\$ 222,462</u>	<u>\$ —</u>

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NOTE 7 – NOTES PAYABLE (continued)

- (a) During the year ended December 31, 2018, the Company issued unsecured, 4% 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. Effective February 26, 2019, the Company applied \$68,460 of note principal and \$2,428 of accrued interest under these notes from a note receivable from an affiliated entity to VCVC. At December 31, 2018, these notes were recorded as Note Payable – Related Party (See Note 9). At June 30, 2019, these notes had accrued interest of \$7,882.
- (b) On March 26, 2019 and April 29, 2019, the Company entered financing arrangements to finance the insurance premiums for its liability coverage. The financings have an interest rate of 9.79% and last through March of 2020.

Interest expense for the Company’s notes payable for the three and six months ended June 30, 2019 was \$4,193 and \$2,482, respectively, compared to \$0 and \$386 to the three and six months ended June 30, 2018. Accrued interest for the Company’s notes payable at June 30, 2019 and December 31, 2018 was \$7,882 and \$0, respectively.

NOTE 8 – NOTES PAYABLE – RELATED PARTY

		<u>June 30,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
(unaudited)			
Vincent Celentano demand notes payable @ 7% interest	(a)	\$ —	\$ 15,000
VCVC, LLC demand notes payable @ 4% interest	(b)	—	260,425
EAC Management, LLC demand note @ 5% interest	(c)	—	50,000
		<u>\$ —</u>	<u>\$ 325,425</u>

- (a) On May 25, 2017 and June 2, 2017, the Company received \$5,000 and \$10,000, respectively from its director and largest individual shareholder, Vincent L. Celentano in the form of two demand notes. These notes were payable on demand and bore an interest rate of 7%. On February 26, 2019, principal of \$15,000 and interest in the amount of \$1,839 were converted upon the application of an \$87,727 note receivable balance from an entity controlled by Mr. Celentano.
- (b) See (a) in Note 7 for information regarding this note payable.
- (c) On March 28, 2018, the Company borrowed \$50,000 under a 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. At December 31, 2018, the credit line had a balance of \$50,000 and accrued interest of \$2,500. On April 11, 2019, the Company entered into a settlement agreement with EAC whereby it repaid this obligation. In conjunction with this repayment, EAC forgave interest in the amount of \$3,192 and \$32,000 of past due consulting fees. The \$32,000 forgiveness resulted in a gain on the settlement of a payable. No additional amounts are due with respect to the credit line.

Interest expense for the Company’s notes payable – related party for the three and six months ended June 30, 2019 was \$1,926 and \$2,926, respectively compared to \$8,397 and \$17,072 to the three and six months ended June 30, 2018. Accrued interest for the Company’s notes payable-related party at June 30, 2019 and December 31, 2018 was \$0 and \$14,427, respectively.

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NOTE 9 – COMMITMENTS AND CONTINGENCIES

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

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. See Legal Matters below in this Note 9.

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, for 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. The Company initially owned 55.3% of the joint venture and the investors owned 44.7% of the joint venture. Through December 31, 2018, the Company entered into financing 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.

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 took 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.

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 past office space) indicating 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 previous 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 the Company’s ability to sell to and service its 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 case is set for a jury trial on August 19, 2019.

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

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NOTE 9 – COMMITMENTS AND CONTINGENCIES (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 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 was heard on March 27, 2019 and was denied. 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 intend to seek a favorable out of court settlement. Given the current state of the evidence it is not possible 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 had met and 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.

NOTE 10 – STOCKHOLDERS’ EQUITY (DEFICIT)

On March 14, 2019, noteholders including Vincent L. Celentano, the Company’s former chairman and chief executive officer, converted their convertible notes payable 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. At the time of conversion, these notes were no longer considered related party notes effective upon the resignation of Mr. Celentano as a chairman and chief executive officer.

On May 1, 2019, holders of warrants to purchase common stock were given the opportunity to exercise their warrants at a 20% discount to their original strike price in an effort to raise additional operating capital. Holders were given until May 15, 2019 to exercise at the discounted rate. On May 17, 2019, the Company agreed to issue 17,710,715 shares of its common stock, par value \$.001 per share, in exchange for \$1,168,600 as the result of the discounted exercise of certain outstanding warrants issued by the Company in the past to various accredited investors. In connection with the issuance of common stock, \$292,150 was recognized as a deemed dividend on the warrants during the six months ended June 30, 2019, which represents the intrinsic value of the discounted exercise price of the warrants exercised as the holders of the warrants are also common shareholders.

During the six months ended June 30, 2019, the Company issued 38,989,285 restricted common shares for proceeds received in the amount of \$2,428,600 from the sale of stock from accredited investors and related parties, including the \$1,168,600 from the discounted warrant exercise. Included in the total shares issued, 13,000,000 of these shares were issued to related parties.

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NOTE 11 – OPTIONS AND WARRANTS

Stock Options:

The Company used the following assumptions to estimate the fair value of options granted under its stock option plans for the three and six months ended June 30, 2019 and 2018:

	For the six months ended June 30,	
	2019	2018
Risk-free interest rate (weighted average)	2.32%	1.91%
Expected volatility (weighted average)	781.08%	133.29%
Expected term (in years)	5.5	3
Expected dividend yield	0.00%	0.00%

Risk-Free Interest Rate The risk-free interest rate assumption was based on U.S. Treasury instruments with a term that is consistent with the expected term of the Company's stock options.

Expected Volatility The expected stock price volatility for the Company's common stock was determined by examining the historical volatility and trading history for its common stock over a term consistent with the expected term of its options.

Expected Term The expected term of stock options represents the weighted average period the stock options are expected to remain outstanding. It was calculated based on the Company's historical experience with its stock option grants.

Expected Dividend Yield The expected dividend yield of 0% is based on the Company's history and expectation of dividend payouts. The Company has not paid and does not anticipate paying any dividends in the near future.

Forfeitures Stock compensation expense recognized in the statements of operations for the six months ended June 30, 2019 and 2018 is based on awards ultimately expected to vest, and it has been reduced for estimated forfeitures.

The following table summarize all options grants to consultants, directors and employees for the three and six months ended June 30, 2019 (unaudited) and June 30, 2018 and the related changes during these periods are presented below.

	June 30, 2019	June 30, 2018
Options outstanding and exercisable	5,042,500	5,007,500
Weighted-average exercise price	\$ 0.40	\$ 0.43
Aggregate intrinsic value	\$ 1,503,513	—
Weighted-average remaining contractual term (years)	5.2	4.6

The Company chose the "straight-line" attribution method for allocating compensation costs of each stock option over the requisite service period using the Black-Scholes Option Pricing Model to calculate the grant date fair value.

During the six months ended June 30, 2019, 2,500,000 options were issued. Of the options issued and outstanding, 5,042,500 and 5,007,500 were vested as of June 30, 2019 and June 30, 2018, respectively. During the three months ended June 30, 2019 and 2018, total stock option expense amount to \$1,045,734 and \$1,514, respectively. During the six months ended June 30, 2019 and 2018, total stock option expense amounted to \$1,046,972 and \$3,028, respectively.

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NOTE 11 – OPTIONS AND WARRANTS (continued)

Stock Warrants:

The Company used the following assumptions to estimate the fair value of warrants granted under its stock warrant plans for the six months ended June 30, 2019 and 2018:

	For the six months ended June 30,	
	2019	2018
Risk-free interest rate (weighted average)	2.39%	2.65%
Expected volatility (weighted average)	930.05%	900.85%
Expected term (in years)	3	3.5
Expected dividend yield	0.00%	0.00%

The following table summarize all warrants grants to consultants, directors and employees as well as investors for the six months ended June 30, 2019 (unaudited) and the related changes during these periods are presented below.

	June 30, 2019	June 30, 2018
Warrants outstanding and exercisable	30,009,523	6,175,000
Weighted-average exercise price	\$ 0.21	\$ 0.48
Aggregate intrinsic value	\$ 14,701,119	—
Weighted-average remaining contractual term (years)	4.2	4.5

During the three months ended June 30, 2019 and 2018, total stock warrant expense amount to \$0 and \$206,274, respectively. During the six months ended June 30, 2019 and 2018, total stock warrant expense amounted to \$72,364 and \$483,064, respectively.

NOTE 12 – RELATED PARTIES

On February 14, 2019, the Company received a \$100,000 investment from an entity managed by Ronald J. LoRicco, Sr., a member of our Board of Directors, in consideration for 2,000,000 restricted common shares and cash warrants to purchase an additional 2,000,000 restricted common shares with a strike price of \$0.075 per share. On May 9, 2019, during the discounted exercise event, the entity exercised its 2,000,000 warrants at a discounted price of \$0.06 for a total investment of \$120,000.

On February 27, 2019, the Company received a total of \$50,000 investment, from Michael Barbera, a member of our Board of Directors, in consideration for 1,000,000 restricted common shares (\$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 May 15, 2019, during the discounted exercise event, 1,000,000 warrants were exercised at a discounted price of \$0.06 for a total investment of \$60,000.

On March 9, 2019, an entity managed by Ronald J. LoRicco, Sr., a member of our Board of Directors, during the discounted exercise event, 4,000,000 warrants were exercised at a discounted price of \$0.06 for a total investment of \$240,000.

On March 15, 2019, the Company received a total of \$100,000 investment from Paul M. Sallarulo, a member of our Board of Directors in consideration for 2,000,000 restricted common shares (\$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 500,000 restricted common shares (\$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 May 15, 2019, during the discounted exercise event, the 500,000 warrants were exercised at a discounted price of \$0.06 for a total investment of \$30,000.

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NOTE 13 – SUBSEQUENT EVENTS

Common Stock and Equity

On February 26, 2019, the Company reserved 50,000 shares of Basanite, Inc. restricted common shares (25,000 for an entity managed by Ronald J. LoRicco, Sr., a member of our Board of Directors and 25,000 for an accredited investor) to be issued to a designee of their choice at a future date. The parties requested for the issuance of the common stock on July 23, 2019. As of this report date, these shares have not been issued.

Convertible notes payable

On July 18, 2019, the \$50,000 convertible note held by a related party matured. The Company will carry out the original terms of the agreement (see Note 5 and 6). As of this filing date, shares have not been issued nor has the note been satisfied.

On July 18, 2019, the \$20,000 convertible note held by an investor matured. The Company will carry out the original terms of the agreement (see Note 5 and 6). As of this filing date, shares have not been issued nor has the note been satisfied.

ITEM 2. MANAGEMENTS DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements

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

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

Basanite and its wholly owned subsidiaries are herein referred to as the "Company", "we", "our", or "us".

Overview

This overview provides a high-level discussion of our operating results and some of the trends that affect our business. We believe that an understanding of these trends is important to understand our financial results for the three and six months ended June 30, 2019 and 2018. This summary is not intended to be exhaustive, nor is it intended to be a substitute for the detailed discussion and analysis provided elsewhere in this report, and our audited consolidated financial statements and accompanying notes included in the Annual Report on Form 10-K for the period ended December 31, 2018 filed with the SEC on March 28, 2019.

On August 13, 2018, the Company formed a new wholly-owned subsidiary, Basanite Industries, LLC. Basanite Industries, LLC was incorporated in Delaware with the intent of manufacturing BasaFlex, which is a type of fiber reinforced polymer rebar. Fiber reinforced polymer rebar is a stronger, lighter, sustainable, non-corrosive, replacement for traditional steel rebar

Since the formation of Basanite Industries, LLC, we have moved our headquarters to a facility located in Pompano Beach, Florida that is approximately 36,900 square feet in size. During the first two quarters of 2019, we began preparation of the facility for production using a new line of production machinery and new raw materials. Once the new machines are fully functional, the facility will have the ability to produce approximately two to three miles of basalt fiber reinforced polymer rebar per day. We have not yet commenced manufacturing operations, but we expect to during the third quarter of 2019.

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

- No corrosion – steel reinforcement products rust, our products do not;
- Sustainability and lifecycle – production of our products results in exceptionally low "carbon footprint." Lack of corrosion allows the "lifespan" of projects to be much longer; and
- Cost – the physical nature of our products relative to steel (much lighter, easily transportable, "spoolable") reduces the all-in cost of reinforcement products when factors such as transportation and liability are considered.

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

Once we commence our manufacturing operations, we expect that a substantial number of customers will request terms for payment. We believe that we will need to grant customers anywhere from 30 to 90 days to complete payment in order to be competitive. We recognize that there is risk associated with granting terms to certain customers in the construction industry. Our target customers are precast concrete companies, building contractors, wall builders; home builders, composite concrete companies as well as large distributors serving general construction industry. Accordingly, we are exploring methods of protecting our interests through the filing of liens against projects to which we deliver our products prior to payment being made.

Going forward, we expect to continue making investments in our Basanite Industries, LLC. We will require capital to, among other things, (1) continue upgrading our facilities management, production and testing capabilities, (2) continue the pursuit of an evaluation service report from the International Code Council (ICC – ES), (3) continue engaging the industry and industry experts with education initiatives, (4) purchase of raw materials and other goods and services related to our manufacturing needs, (5) upgrade our management and sales teams, (6) continue to meet obligations under our license and other agreements, particularly as they pertain to distribution, (7) continued research and development around new products being developed in the concrete reinforcement industry, and (8) other general working capital needs.

Discontinued Operations

Revenue - During the three and six months ended June 30, 2019, there was no revenue from discontinued operations compared to \$0 and \$16,460, respectively for the same period in the prior year. The revenue in the prior year was due to an agency agreement from the discontinued clothing segment.

Cost of goods sold - During the three and six months ended June 30, 2019, there was no cost of goods sold from discontinued operations compared to \$8,829 and \$33,530, respectively for the same period in the prior year. The cost of goods sold in the current year was from residual costs from prior periods.

Results of Operations

Revenue – The Company had \$2,898 of revenues as a result of sales of finished goods sold for both the three and six months ended June 30, 2019 compared to \$5,872 and \$84,152, respectively for the same period in the prior year. The decrease was a result of the Company's retooling of machinery and acquisition of new raw materials in preparation to shift focus to a new production of materials in order to derive outputs that can be tightly controlled in terms of quality and specifications.

Cost of Goods Sold

During the three and six months ended June 30, 2019, the Company had cost of sales of \$41,176 and \$44,469 compared to \$8,546 and \$86,987, respectively for the same period in the prior year. Cost of goods sold consisted of the following:

	For the three months ended June 30,		For the six months ended June 30,	
	2019	2018	2019	2018
Product cost	\$ 725	\$ 7,838	\$ 725	\$ 79,164
Equipment rental and maintenance	12,019	—	12,019	—
Supplies	23,777	—	26,616	—
Shipping cost	4,655	473	5,109	4,457
Sales commission	—	235	—	3,366
Total cost of goods sold	<u>\$ 41,176</u>	<u>\$ 8,546</u>	<u>\$ 44,469</u>	<u>\$ 86,987</u>

For the three and six months ended June 30, 2019, the Company had a negative gross margin from continuing operations in the amount of \$38,278 and \$41,571 compared to a negative gross margin from continuing operations in the amount of \$2,674 and \$2,835, respectively for the same period in the prior year. The Company lost money on a gross margin basis due to inefficiencies in the start-up process and extremely narrow margins on the initial sales of products. The Company's initial sales were at very low gross margins to try to gain market share and gain exposure to the product. In the future, as the Company's product gains acceptance it is expected for margins to increase.

Operating Expenses

Professional fees – During the three months ended June 30, 2019 and 2018 professional fees were \$62,410 compared to \$56,982 for the same period in the prior year. The decrease was minimal as during both periods, the Company had paid similar amounts for legal and accounting services.

During the six months ended June 30, 2019 and 2018 professional fees were \$214,274 compared to \$90,370 for the same period in the prior year. The increased cost was due to higher legal expense in the current period resulting from litigation with its supplier and consultants.

Payroll and payroll taxes – During the three months ended June 30, 2019 and 2018, payroll and payroll taxes were \$227,697 compared to \$69,438 for the same period last year.

During the six months ended June 30, 2019 and 2018, payroll and payroll taxes were \$317,309 compared to \$166,432 for the same period last year. The increase was due to the fact that all consultants became employees at the conclusion of their consulting agreements. All became employed by the Company in the six months ended June 30, 2019 increasing payroll and payroll taxes.

Consulting - During the three months ended June 30, 2019, consulting fees were \$58,017 and \$118,742 for the same period in the prior year. The decrease is due to the termination and completion of a couple of consulting agreements, such as senior management and management consulting agreements.

During the six months ended June 30, 2019, consulting fees were \$216,090 compared to \$219,691 for the same period in the prior year. The decrease was minimal as during both periods, the Company had amounts paid under consulting agreements to senior management.

General and administrative – During the three months ended June 30, 2019, general and administrative expenses were \$1,245,688 compared to \$318,840 for the same period in the prior year. The increase is largely due to the higher stock-based compensation expense in the current year of \$1,045,734.

During the six months ended June 30, 2019, general and administrative expenses were \$1,499,718 compared to \$788,060 for the same period in the prior year. The increase is largely due to the higher stock-based compensation expense in the current year of \$1,119,337 compared to \$486,092 in the prior year.

Bad debt expense - There was no bad debt expense in the three months ended June 30, 2019 and 2018.

During the six months ended June 30, 2019, the Company had no bad debt expense compared to \$24,242 for the same period last year as a result of sales in the current period where the collectability of those sales that were doubtful as to their collectability.

Other Expenses

Interest expense - During the three and six months ended June 30, 2019 and 2018, interest expense was \$15,632 and \$47,142 compared to \$29,546 and \$52,408, respectively, for the same period in the prior year. The decrease is due to the overall reduction of debt due to repayments of debt or debt conversions.

Disposition of fixed asset - During the three and six months ended June 30, 2019 and 2018, the Company had \$0 and \$0 compared to a gain of \$700 and a loss of \$1,478, respectively, for the same period in the prior year.

Liquidity and Capital Resources

Since inception, the Company has incurred net operating losses and used cash in operations. As of June 30, 2019, the Company had an accumulated deficit of \$23,622,626. The Company has also dedicated substantial resources to research and development and marketing of the Company's products which included the general and administrative expenses associated with its organization and product development. We expect operating losses to continue due to the anticipated costs to develop our Basanite Industries, LLC business. These conditions raise substantial doubt about the Company's ability to continue as a going concern. We require additional financing for the continued development of the Basanite Industries, LLC.

We have historically satisfied our working capital requirements through the sale of restricted common stock and the issuance of warrants and promissory notes. This has continued through the first half of 2019 and will continue until we have cash flow to cover our expenses.

At June 30, 2019, the Company had cash of \$927,480 compared to \$121,831 at December 31, 2018.

Notwithstanding proceeds from the sale of our common stock this year, current working capital is not sufficient to maintain our current operations and there is no assurance that future sales and marketing efforts will be successful enough to achieve the level of revenue sufficient to provide cash to sustain operations. To the extent such revenues and corresponding cash flows do not materialize, we will attempt to fund working capital requirements through third party financing, including a private placement of our securities. We cannot provide any assurances that required capital will be obtained or that the terms of such required capital may be acceptable to us. If we are unable to obtain adequate financing, we may reduce our operating activities until sufficient funding is secured or revenues are generated to support operating activities.

Cash Flows

Net cash used in operating activities amounted to \$1,232,376 and \$923,722 for the six months ended June 30, 2019 and 2018, respectively.

During the six months ended June 30, 2019, we used \$428,794 net cash for investing activities compared \$2,935 used in the same period in the prior fiscal year.

During the six months ended June 30, 2019, we had \$2,466,819 net cash provided by financing activities from proceeds received \$2,262,749 net cash from the sale of stock from accredited investors and related parties for 38,989,285 restricted common shares issued/to be issued for \$2,428,600 less \$165,851 of notes payable repayment proceeds, as well as borrowing \$274,070 from the issuance of convertible and short-term notes payable, including from related parties less \$20,000 of a partial repayment of a convertible note and \$50,000 of full repayment of demand note payable.

During the six months ended June 30, 2018, we had \$749,041 net cash provided by financing activities during the prior year through notes payable from related parties in the amount of \$303,300 and the sale of stock in the amount of \$475,741 offset by the repayment of a note payable in the amount of \$30,000.

We do not believe that our cash on hand at June 30, 2019 will be sufficient to fund our current working capital requirements as we try to develop our fiber reinforced polymer rebar manufacturing business. We will continue to seek additional equity financing. However, there is no assurance that we will be successful in our equity private placements or if we are that the terms will be beneficial to our shareholders.

Risk Factors

Investing in our common stock involves a high degree of risk. You should carefully consider the risk factors included in the Company's annual report on Form 10-K for the year ended December 31, 2018 filed with the SEC on March 28, 2019, before deciding whether to invest in the Company. Additional risks and uncertainties not presently known to us, or that we currently deem immaterial, may also impair our business operations or our financial condition.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable to smaller reporting companies.

ITEM 4. CONTROLS AND PROCEDURES

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

The Company’s management, under the supervision and with the participation of the Company's Chief Executive Officer and Chief Financial Officer, carried out an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) of the Exchange Act) as of June 30, 2019.

During our assessment of the effectiveness of internal control over financial reporting as of June 30, 2019 management identified material weaknesses related to (i) the U.S. GAAP expertise and experience of our internal accounting personnel and (ii) a lack of segregation of duties within accounting functions. Therefore, our internal controls over financial reporting were not effective as of June 30, 2019 based on the material weaknesses described below.

As a result of these material weaknesses, our Chief Executive Officer and Chief Financial Officer concluded that our internal control over financial reporting was not effective as of June 30, 2019.

Because of its inherent limitations, however, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate. In order to mitigate the foregoing material weaknesses, we have continued to engage outside accounting consultants to assist us in the preparation of our financial statements to ensure that these financial statements are prepared in conformity to U.S. GAAP. We believe that the engagement of such consultants will lessen the possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis, and we will continue to monitor the effectiveness of this action and make any changes that our management deems appropriate.

Changes in Internal Control over Financial Reporting

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

PART II. – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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 past office space) indicating 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.

On December 15, 2016, a third-party driver drove his car through the company’s previous 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 the Company’s ability to sell to and service its 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 case is set for a jury trial on August 19, 2019.

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

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 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 was heard on March 27, 2019 and was denied. 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 intend to seek a favorable out of court settlement. Given the current state of the evidence it is not possible 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 had met and 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.

ITEM 1A. RISK FACTORS

Not applicable to smaller reporting companies.

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

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

During the three months ended June 30, 2019, the Company issued 23,489,285 restricted commons shares for proceeds received in the amount of \$1,653,600 from the sale of stock from accredited investors and related parties at per share exercise and per share prices ranging from \$0.06 to \$0.48, including the \$1,168,000 from the discounted warrant exercise. Included in the total shares issued, 8,668,600 of these shares were issued to related parties.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

On September 22, 2017, the Company issued a total of 200,000 shares of common stock valued at \$72,000 (\$0.38 per share) in conjunction with an extension of the note to April 22, 2018. The interest rate on the Note was also increased to 10% per annum. 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 maintaining the required payments of \$5,000 per month. As of June 30, 2019, the Company has made payments totaling \$25,500, applied pro-ratably to principal and interest, thereby reducing the note payable balance to \$283,524.

ITEM 4. MINE SAFETY DISCLOSURE

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit No.	Exhibit Description	Incorporated by Reference			Filed or Furnished Herewith
		Form	Date Filed	Number	
31.1	Certification of Chief Executive Officer pursuant to Rule 13A-14(a) or Rule 15d-14(a) of the Securities Exchange Act				Filed
31.2	Certification of Chief Financial Officer pursuant to Rule 13A-14(a) or Rule 15d-14(a) of the Securities Exchange Act				Filed
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				Furnished
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				Furnished
101	XBRL Interactive Data File				Filed

SIGNATURES

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

Date: August 19, 2019

Basanite, Inc.

By: /s/ Richard Krolewski
Richard Krolewski
President
Chief Executive Officer

/s/ Isabella Barbera
Isabella Barbera
Chief Financial Officer

**OFFICER'S CERTIFICATE
PURSUANT TO RULE 13a-14(a)/15d-14(a)**

I, Richard Krolewski, Chief Executive Officer, certify that:

1. I have reviewed this Form 10-Q for the quarter ended June 30, 2019, 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: August 19, 2019

By: /s/ Richard Krolewski
Name: Richard Krolewski
Title: Chief Executive Officer
(Principal Executive Officer)

**OFFICER'S CERTIFICATE
PURSUANT TO RULE 13a-14(a)/15d-14(a)**

I, Isabella Barbera, Principal Financial Officer, certify that:

1. I have reviewed this Form 10-Q for the quarter ended June 30, 2019, of Basinite, 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 issuer 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: August 19, 2019

By: /s/ Isabella Barbera
Name: Isabella Barbera
Title: Chief Financial Officer
(Principal Financial and Accounting 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 Quarterly Report of Basanite, Inc. (the "Company") on Form 10-Q for the quarter ended June 30, 2019 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: August 19, 2019

By: /s/ Richard Krolewski
Name: Richard Krolewski
Title: Chief Executive Officer
(Principal Executive 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 Basanite, Inc. and will be retained by Basanite, Inc. and furnished to the United States Securities and Exchange Commission or its staff upon request.

**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 Quarterly Report of Basanite, Inc. (the "Company") on Form 10-Q for the quarter ended June 30, 2019 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: August 19, 2019

By: /s/ Isabella Barbera
Name: Isabella Barbera
Title: Chief Financial Officer
(Principal Financial and Accounting 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 Basanite, Inc. and will be retained by Basanite, Inc. and furnished to the United States Securities and Exchange Commission or its staff upon request.