FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **2013-05-16** | Period of Report: **2013-03-31**
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FILER

FONU2 Inc.

CIK:**1168325**| IRS No.: **650773383** | State of Incorp.:**NV** | Fiscal Year End: **0930**
Type: **10-Q** | Act: **34** | File No.: **000-49652** | Film No.: **13850926**
SIC: **5399** Misc general merchandise stores

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

FORM 10-Q

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

For the quarterly period ended March 31, 2013

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

For the transition period from ____________ to____________

Commission File No. 000-49652

FONU2 Inc.

(Exact name of registrant as specified in its charter)

Nevada	65-0773383
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

331 East Commercial Blvd.
Ft. Lauderdale, Florida 33334
(Address of principal executive offices)

(954) 938-4133
(Registrant' s telephone number, including area code)

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 [X] No [ ]

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer [ ] Accelerated filer [ ] Non-accelerated filer [ ] Smaller reporting company [X]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes [ ] No [X]

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY

PROCEEDINGS DURING THE PRECEDING FIVE YEARS

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Not applicable.

APPLICABLE ONLY TO CORPORATE ISSUERS

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

May 13, 2013 - Common – 45,678,605
May 13, 2013 - Preferred – none

PART I

Item 1. Financial Statements

The financial statements of the registrant required to be filed with this Quarterly Report on Form 10-Q were prepared by management and commence below, together with related notes. In the opinion of management, the financial statements fairly present the financial condition of the registrant.

FONU2 INC.
Balance Sheets
(Unaudited)

ASSETS

	March 31, 2013	September 30, 2012
CURRENT ASSETS		
Cash	$ 16,812	$ 3,038
Inventory	7,521	7,276
Prepaid expenses	21,096	220,548
Total Current Assets	45,429	230,862
PROPERTY AND EQUIPMENT, net	11,939	12,855
OTHER ASSETS		
Security deposits	2,285	2,285
TOTAL ASSETS	$ 59,653	$ 246,002

LIABILITIES AND STOCKHOLDERS' (DEFICIT)

	March 31, 2013	September 30, 2012
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 82,313	$ 81,926
Accrued interest payable	16,770	7,154
Payroll liabilities	337,949	136,424
Derivative liability	103,358	-
Notes payable	97,500	77,000
Convertible notes payable, net	123,000	75,000
Related party payable	52,300	-
Total Current Liabilities	813,190	377,504
TOTAL LIABILITIES	813,190	377,504
STOCKHOLDERS' (DEFICIT)		
Preferred stock series A; 20,000,000 shares authorized, at $0.01 par value, -0- and -0- shares issued and outstanding, respectively	-	-
Preferred stock series B; 20,000,000 shares authorized, at $0.01 par value, -0- and -0- shares issued and outstanding, respectively	-	-
Common stock; 2,000,000,000 shares authorized, at $0.001 par value, 47,377,178 and 66,676,182 shares issued and outstanding, respectively	47,377	66,676
Additional paid-in capital	37,338,568	37,144,409
Deficit accumulated during the development stage	(38,139,482)	(37,342,587)
Total Stockholders' Deficit	(753,537)	(131,502)
TOTAL LIABILITIES AND STOCKHOLDERS' (DEFICIT)	$ 59,653	$ 246,002

The accompanying notes are an integral part of these unaudited financial statements.

FONU2, INC.
Statements of Operations
(Unaudited)

	For the Three Months Ended March 31		For the Six Months Ended March 31	
	2013	2012	2013	2012
REVENUES	$ 59,523	$ -	$ 128,278	$ -
COST OF SALES	38,157	-	55,887	-
GROSS PROFIT	21,366	-	72,391	-
OPERATING EXPENSES				
Depreciation	453	-	916	-
Professional fees	188,307	-	329,884	-
General and administrative	146,191	34,257,974	304,752	34,563,244
Total Operating Expenses	334,951	34,257,974	635,552	34,563,244
LOSS FROM OPERATIONS	(313,585)	(34,257,974)	(563,161)	(34,563,244)
OTHER EXPENSES				
Interest expense	(121,674)	-	(125,616)	-
Loss on derivative liability	(108,118)	-	(108,118)	-
Total Other Expenses	(229,792)	-	(233,734)	-
INCOME (LOSS) BEFORE INCOME TAXES	(543,377)	(34,257,974)	(796,895)	(34,563,244)
PROVISION FOR INCOME TAXES	-	-	-	-
NET INCOME (LOSS)	$ (543,377)	$ (34,257,974)	$ (796,895)	$ (34,563,244)
BASIC AND DILUTED INCOME (LOSS) PER SHARE	$ (0.01)	$ (1.95)	$ (0.01)	$ (1.97)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	54,365,357	17,577,512	56,719,054	17,577,512

The accompanying notes are an integral part of these unaudited financial statements.

FONU2, INC.
Statements of Cash Flows
(Unaudited)

	For the Six Months Ended March 31 2013	For the Six Months Ended March 31 2012
OPERATING ACTIVITIES		
Net loss	$ (796,895)	$ (34,563,244)
Adjustments to reconcile loss to cash flows from operating activities:		
Depreciation	916	-
Amortization of debt discount	87,000	-
Loss on derivative liability	108,118	-
Loss on default of note payable	29,000	-
Stock-based compensation	44,100	34,159,083
Contributed salary	-	125,000
Changes in operating assets and liabilities		
Inventory	(245)	
Prepaid expenses and other assets	199,452	(17,715)
Accounts payable & accrued liabilities	235,028	498
Net Cash Used in Operating Activities	(93,526)	(296,378)
INVESTING ACTIVITIES		
Net Cash Used in Investing Activities	-	8,249
FINANCING ACTIVITIES		
Capital contributions	-	1,000
Distributions to shareholders	-	(1,830)
Cash received on convertible notes payable	55,000	75,000
Net advances from related party debt	52,300	-
Common and preferred stock issued for cash	-	214,749
Net Cash Provided by Financing Activities	107,300	288,919
NET INCREASE (DECREASE) IN CASH	13,774	790
CASH AT BEGINNING OF YEAR	3,038	13,840
CASH AT END OF YEAR	$ 16,812	$ 14,630
SUPPLEMENTAL CASH FLOW INFORMATION:		
CASH PAID FOR:		
Interest	$ -	$ -
Income taxes	$ -	$ -
NON-CASH INVESTING ACTIVITY		
Conversion of accounts payable to notes payable	23,500	-
Common stock issued for convertible notes payable	39,000	-
Cancellation of common stock	23,103	-
Debt discount from derivative liability	87,000	-
Write off of derivative liability into additional paid in capital	91,760	-

The accompanying notes are an integral part of these unaudited financial statements.

NOTE 1 - CONDENSED FINANCIAL STATEMENTS

The accompanying financial statements have been prepared by the Company without audit. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations, and cash flows at March 31, 2013 and for all periods presented herein, have been made.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. It is suggested that these condensed financial statements be read in conjunction with the financial statements and notes thereto included in the Company's September 30, 2012 audited financial statements. The results of operations for the periods ended March 31, 2013 are not necessarily indicative of the operating results for the full year.

NOTE 2 - GOING CONCERN

The Company's financial statements are prepared using generally accepted accounting principles in the United States of America applicable to a going concern which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The Company has not yet established an ongoing source of revenues sufficient to cover its operating costs and allow it to continue as a going concern. During the six months ended March 31, 2013 the Company realized a net loss of $796,895 and had a working capital deficit of $767,761. The ability of the Company to continue as a going concern is dependent on the Company obtaining adequate capital to fund operating losses until it becomes profitable. If the Company is unable to obtain adequate capital, it could be forced to cease operations.

In order to continue as a going concern, the Company will need, among other things, additional capital resources. Management's plan is to obtain such resources for the Company by obtaining capital from management and significant shareholders sufficient to meet its minimal operating expenses and seeking equity and/or debt financing. However management cannot provide any assurances that the Company will be successful in accomplishing any of its plans.

The ability of the Company to continue as a going concern is dependent upon its ability to successfully accomplish the plans described in the preceding paragraph and eventually secure other sources of financing and attain profitable operations. The accompanying financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

NOTE 3 – RELATED PARTY NOTES PAYABLE

During the period ended March 31, 2013 the Company borrowed an aggregate amount of $44,300 from its former CEO, Jeff Pollitt. The note is unsecured, bears no interest and is due on demand.

During the period ended March 31, 2013 the Company borrowed an aggregate amount of $13,000 from its CMO, Niccole Leigh. The Company made a $5,000 payment on this amount during the period, leaving an open balance of $8,000 at March 31, 2013. The note is unsecured, bears no interest and is due on demand.

NOTE 4 – FAIR VALUE MEASUREMENTS

As defined in FASB ASC 820, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The Company utilized the market data of similar entities in its industry or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable. The Company classifies fair value balances based on the observability of those inputs. FASB ASC 820 establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement).

The three levels of the fair value hierarchy are as follows:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis. Level 1 primarily consists of financial instruments such as exchange-traded derivatives, marketable securities and listed equities.

Level 2 - Pricing inputs are other than quoted prices in active markets included in level 1, which are either directly or indirectly observable as of the reported date and includes those financial instruments that are valued using models or other valuation methodologies. These models are primarily industry-standard models that consider various assumptions, including quoted forward prices for commodities, time value, volatility factors, and current market and contractual prices for the underlying instruments, as well as other relevant economic measures. Substantially all of these assumptions are observable in the marketplace throughout the full term of the instrument, can be derived from observable data or are supported by observable levels at which transactions are executed in the marketplace. Instruments in this category generally include non-exchange-traded derivatives such as commodity swaps, interest rate swaps, options and collars.

Level 3 - Pricing inputs include significant inputs that are generally less observable from objective sources. These inputs may be used with internally developed methodologies that result in management' s best estimate of fair value.

The following table sets forth by level within the fair value hierarchy the Company' s financial assets and liabilities that were accounted for at fair value as March 31, 2013.

Recurring Fair Value Measures	**Level 1**	**Level 2**	**Level 3**	**Total**
LIABILITIES:				
Derivative liability	-	--	103,358	103,358

NOTE 5 - DERIVATIVE INSTRUMENTS

During 2013, the Company issued debt instruments that were convertible into common stock at a 42 percent discount to the average of the three lowest closing prices during the ten day period prior to conversion. See Note 6. The conversion options embedded in these instruments contain no explicit limit to the number of shares to be issued upon settlement and as a result are classified as liabilities under ASC 815. Additionally, because the number of shares to be issued upon settlement is indeterminate, all other share settle-able instruments must also be classified as liabilities.

During 2013, certain notes payable were converted resulting in settlement of the related derivative liabilities. The Company re-measured the embedded conversion options at fair value on the date of settlement and recorded these amounts to additional paid-in capital.

The following table summarizes the changes in the derivative liabilities during the period ended March 31, 2013:

Ending balance as of September 30, 2012	**$**	**-**
Additions due to new convertible debt issued		153,465
Reclassification of derivative liabilities to additional paid-in capital due to conversion of debt		(91,760)
Change in fair value		41,653
Ending balance as of March 31, 2013	**$**	**103,358**

During the period ended March 31, 2013, the loss on derivatives of $108,118 in the statement of operations consisted of a loss on the change in fair value of $41,653 noted above and a loss of $66,465, which was the amount by which the derivative liabilities exceeded the principal of the related notes payable on the date the notes were issued.

The Company uses the Black Scholes Option Pricing Model to value its derivatives based upon the following assumptions: dividend yield of -0-%, volatility of 285-693%, risk free rate of 0.18-0.14% and an expected term of 0.50 to 1 year.

NOTE 6 – CONVERTIBLE NOTES PAYABLE

During 2013, $58,000 of notes payable that were previously not convertible became convertible. The embedded conversion options in these notes are required to be classified as liabilities. See Note 5. The note payable was due on February 2, 2013, and the Company incurred an additional $29,000 owed as part of the principal of the note due to being in default. During the three months ended March 31, 2013, the lender converted $39,000 of the note payable. As of March 31, 2013, the note had an outstanding principal of $48,000.

On March 11, 2013 the Company entered into a convertible promissory note with an unrelated third party, wherein the Company borrowed $78,500. $23,500 of the proceeds were paid directly to the Company's vendors by the lender. The principal accrues interest at a rate of eight percent per annum and is due in full on December 16, 2013. The note is convertible at the option of the holder at any point at least 180 days from the note date at a 42 percent discount to the average of the three lowest closing prices during the ten day period prior to conversion. The note will accrue interest at a rate of 22 percent per annum should the Company default.

NOTE 7 - COMMON STOCK

On October 22, 2012 the Company entered into a Redemption Agreement with HMBL Trust, William Lavenia, and SLP-DZ-NTZ, LLC (collectively, the "Stockholders"), by which the Company agreed to purchase a total of 8,102,736 shares of its common stock from the Stockholders for total aggregate consideration of one dollar. The Company further agreed to release the Stockholders from any and all liability relating to any claims that it may have as of the date of the Redemption Agreement. The 8,102,736 repurchased shares of common stock were cancelled immediately upon receipt.

During the six months ended March 31, 2013 the Company issued 1,050,000 shares of common stock for services valued at $44,100.

On February 27, 2013, Jeff Pollitt, the Company's CEO, resigned his position with the Company. Pursuant to this resignation, Mr. Pollitt returned 15,000,000 of his 22,796,962 shares of the Company's common back to the Company. The 15,000,000 shares were cancelled by the Company immediately upon receipt.

On March 25, 2013 the Company issued 2,753,732 shares of common stock to a third party pursuant to a partial conversion of a convertible promissory note. The issuance resulted in a $39,000 reduction to the convertible promissory note, which has an outstanding balance of $48,000 at March 31, 2013.

NOTE 8 – SUBSEQUENT EVENTS

Subsequent to March 31, 2013, the Company issued 175,000 shares of common stock for services provided by management, issued 1,981,515 shares of common stock for services provided by consultants, and issued an additional 1,190,476 shares of common stock upon the conversion of $15,000 in convertible debt.

Item 2. Management' s Discussions and Analysis of Financial Condition and Results of Operations.

Forward-looking Statements

Statements made in this Quarterly Report which are not purely historical are forward-looking statements with respect to the goals, plan objectives, intentions, expectations, financial condition, results of operations, future performance and our business, including, without limitation, (i) our ability to raise capital, and (ii) statements preceded by, followed by or that include the words "may," "would," "could," "should," "expects," "projects," "anticipates," "believes," "estimates," "plans," "intends," "targets" or similar expressions.

Forward-looking statements involve inherent risks and uncertainties, and important factors (many of which are beyond our control) that could cause actual results to differ materially from those set forth in the forward-looking statements, including the following, general economic or industry conditions, nationally and/or in the communities in which we may conduct business, changes in the interest rate environment, legislation or regulatory requirements, conditions of the securities markets, our ability to raise capital, changes in accounting principles, policies or guidelines, financial or political instability, acts of war or terrorism, other economic, competitive, governmental, regulatory and technical factors affecting our current or potential business and related matters.

Accordingly, results actually achieved may differ materially from expected results in these statements. Forward-looking statements speak only as of the date they are made. We do not undertake, and specifically disclaim, any obligation to update any forward-looking statements to reflect events or circumstances occurring after the date of such statements.

Results of Operation

For The Three Months Ended March 31, 2013 Compared to The Three Months Ended March 31, 2012.

We had $59,523 in revenue in the quarterly period ended March 31, 2013, compared to $-0- in the quarterly period ended March 31, 2012. Cost of sales was $38,157 and $-0- and gross profits were $21,366 and $-0-, in the quarters ended March 31, 2013 and 2012, respectively.

Our operating expenses decreased to $334,951 during the quarterly period ended March 31, 2013, from $34,257,974 in the year-ago period. We has a loss from operations of $313,585 in the three months ended March 31, 2013 compared to a loss from operations of $34,257,974 in the three months ended March 31, 2012. We had net interest expense of $121,674 in the quarter ended March 31, 2013 and $-0- for the quarter ended March 31, 2012 and a loss on derivative liability of $108,118 for the three months ended March 31, 2013 and $-0- for the three months ended March 31, 2012.

For the three months ended March 31, 2013, our net loss was $543,377, or $0.01 per share, as compared to a net loss of $34,257,974, or $1.95 per share, during the March 31, 2012 period.

For The Six Months Ended March 31, 2013 Compared to The Six Months Ended March 31, 2012.

We had $128,278 in revenue in the six months ended March 31, 2013, compared to $-0- in the six months ended March 31, 2012. Cost of sales was $55,887 and $-0- and gross profits were $72,391 and $-0-, in the six months ended March 31, 2013 and 2012, respectively.

Our operating expenses decreased to $635,552 during the six months ended March 31, 2013, from $34,563,244 in the year-ago period. We has a loss from operations of $563,161 in the six months ended March 31, 2013 compared to a loss from operations of $34,563,244 in the six months ended March 31, 2012. We had net interest expense of $125,616 in the six months ended March 31, 2013 and $-0- for the six months ended March 31, 2012 and a loss on derivative liability of $108,118 for the six months ended March 31, 2013 and $-0- for the six months ended March 31, 2012.

For the six months ended March 31, 2013, our net loss was $796,895, or $0.01 per share, as compared to a net loss of $34,563,244, or $1.97 per share, during the March 31, 2012 period.

Liquidity

The Company had cash on hand of $16,812 as of March 31, 2013. We believe that this cash on hand will not be sufficient to meet our expenses through the end of our 2013 fiscal year. We will have to seek additional financing through either a private placement of our stock or through debt financing. While management expects to be able to raise the required funds, there is no guarantee that we can obtain adequate financing. Our ability to achieve a level of profitable operations and/or additional financing may affect our ability to continue as a going concern.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Not required.

Item 4. Controls and Procedures.

Evaluation of disclosure controls and procedures

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures as defined in Rule 13a-15(e) under the Exchange Act as of the end of the period covered by this Quarterly Report on Form 10-Q. In designing and evaluating the disclosure controls and procedures, our management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs. The design of any disclosure controls and procedures 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.

Based on that evaluation, our chief executive officer and chief financial officer concluded that, as of March 31, 2013, our disclosure controls and procedures were not effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules, regulations and forms, and that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure. This material deficiency is due to a lack of adequate internal controls and the absence of an audit committee.

Changes in internal control over financial reporting

There were no significant changes in our internal controls over financial reporting that occurred during our last fiscal quarter that have materially affected, or are reasonably likely to affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

None; not applicable.

Item 1A. Risk Factors.

Not required.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

On February 11, 2013, and March 31, 2013, the Company issued a total of 350,000 “unregistered” and “restricted” shares of common stock, and 175,000 “unregistered” and “restricted” shares of common stock, respectively, to

Jeffrey A. Olweean, Robert B. Lees and Nicole Leigh under the terms of their respective Independent Contractor Agreements and Executive Employment Agreements. Each of these issuances was made in reliance on the exemptions from registration provided by Section 4(2) of the Securities Act of 1933, as amended, and Rule 506 of Regulation D promulgated thereunder.

On February 27, 2013; March 8, 2013; and March 26, 2013, the Company issued 875,912 "unregistered" and "restricted" shares; 750,000 "unregistered" and "restricted" shares; and 1,127,820 "unregistered" and "restricted" shares, respectively, to Asher Enterprises, Inc., upon partial conversion of a convertible promissory note. These issuances were made in reliance on Rule 144 of the Securities and Exchange Commission.

Item 3. Defaults Upon Senior Securities.

None; not applicable.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

During the quarterly period ended March 31, 2013, there were no material changes to the procedures by which security holders may recommend nominees to the Company' s Board of Directors.

Item 6. Exhibits.

Exhibit No.	Identification of Exhibit
31.1	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act provided by Robert B. Lees, Interim President.
31.2	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act provided by Robert B. Lees, Chief Financial Officer.
32	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 provided by Robert B. Lees, Interim President and Chief Financial Officer.
101.INS	XBRL Instance Document*
101.PRE.	XBRL Taxonomy Extension Presentation Linkbase*
101.LAB	XBRL Taxonomy Extension Label Linkbase*
101.DEF	XBRL Taxonomy Extension Definition Linkbase*
101.CAL	XBRL Taxonomy Extension Calculation Linkbase*
101.SCH	XBRL Taxonomy Extension Schema*

*Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed "furnished" and not "filed" or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, or deemed "furnished" and not "filed" for purposes of Section 18 of the Securities and Exchange Act of 1934, and otherwise is not subject to liability under these sections.

SIGNATURES

Pursuant to 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

FONU2, INC.

Date:	*May 16, 2013*	*By:*	*/s/Robert B. Lees*
			Interim President and CEO, CFO and Director
Date:	*May 16, 2013*	*By:*	*/s/ Nicole Leigh*
			Nicole Leigh, Director

Exhibit 31-1

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Robert B. Lees, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of FONU2 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. The registrant's other certifying officer(s) and I are 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 Rule 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 caused 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. The registrant's other certifying officer(s) and I have disclosed, based on our 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: *May 16, 2013* *By:* */s/Robert B. Lees*
Interim CEO and President and CFO

Exhibit 31-2

CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Robert B. Lees, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of FONU2 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. The registrant's other certifying officer(s) and I are 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 Rule 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 caused 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. The registrant's other certifying officer(s) and I have disclosed, based on our 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: *May 16, 2013*

By: */s/Robert B. Lees*
Robert B. Lees, Chief Financial Officer and Director

Exhibit 32

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 FONU2 Inc. (the "Registrant") on Form 10-Q for the quarter ending March 31, 2013, as filed with the Securities and Exchange Commission on the date hereof (the "Quarterly Report"), I, Robert B. Lees, Interim CEO and CFO of the Registrant, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Quarterly Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and result of operations of the Registrant.

Date: *May 16, 2013*

By: */s/Robert B. Lees*
Robert B. Lees, Interim CEO, CFO and Director

Note 5 - Derivative Instruments	6 Months Ended Mar. 31, 2013
Notes	
Note 5 - Derivative Instruments	**NOTE 5 – DERIVATIVE INSTRUMENTS** During 2013, the Company issued debt instruments that were convertible into common stock at a 42 percent discount to the average of the three lowest closing prices during the ten day period prior to conversion. See Note 6. The conversion options embedded in these instruments contain no explicit limit to the number of shares to be issued upon settlement and as a result are classified as liabilities under ASC 815. Additionally, because the number of shares to be issued upon settlement is indeterminate, all other share settle-able instruments must also be classified as liabilities. During 2013, certain notes payable were converted resulting in settlement of the related derivative liabilities. The Company re-measured the embedded conversion options at fair value on the date of settlement and recorded these amounts to additional paid-in capital. The following table summarizes the changes in the derivative liabilities during the year ended December 31, 2012:

Ending balance as of September 30, 2012	**$**	**-**
Additions due to new convertible debt issued		101,032
Reclassification of derivative liabilities to additional paid-in capital due to conversion of debt		(105,792)
Change in fair value		108,118
Ending balance as of March 31, 2013	**$**	**103,358**

During the period ended March 31, 2013, the loss on derivatives of $108,118 in the statement of operations consisted of a loss on the change in fair value of $65,086 noted above and a loss of $43,032, which was the amount by which the derivative liabilities exceeded the principal of the related notes payable on the date the notes were issued.

The Company uses the Black Scholes Option Pricing Model to value its derivatives based upon the following assumptions: dividend yield of -0-%, volatility of 285-693%, risk free rate of 0.18-0.14% and an expected term of 0.50 to 1 year.

Note 4 - Fair Value Measurements	6 Months Ended Mar. 31, 2013

Notes

Note 4 - Fair Value Measurements

NOTE 4 – FAIR VALUE MEASUREMENTS

As defined in FASB ASC 820, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The Company utilized the market data of similar entities in its industry or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable. The Company classifies fair value balances based on the observability of those inputs. FASB ASC 820 establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement).

The three levels of the fair value hierarchy are as follows:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis. Level 1 primarily consists of financial instruments such as exchange-traded derivatives, marketable securities and listed equities.

Level 2 - Pricing inputs are other than quoted prices in active markets included in level 1, which are either directly or indirectly observable as of the reported date and includes those financial instruments that are valued using models or other valuation methodologies. These models are primarily industry-standard models that consider various assumptions, including quoted forward prices for commodities, time value, volatility factors, and current market and contractual prices for the underlying instruments, as well as other relevant economic measures. Substantially all of these assumptions are observable in the marketplace throughout the full term of the instrument, can be derived from observable data or are supported by observable levels at which transactions are executed in the marketplace. Instruments in this category generally include non-exchange-traded derivatives such as commodity swaps, interest rate swaps, options and collars.

Level 3 – Pricing inputs include significant inputs that are generally less observable from objective sources. These inputs may be used with internally developed methodologies that result in management' s best estimate of fair value.

The following table sets forth by level within the fair value hierarchy the Company' s financial assets and liabilities that were accounted for at fair value as March 31, 2013.

Recurring Fair Value Measures	**Level 1**	**Level 2**	**Level 3**	**Total**
LIABILITIES:				
Derivative liability	-	--	103,358	103,358

Balance Sheets (USD $)	Mar. 31, 2013	Sep. 30, 2012
Cash	$ 16,812	$ 3,038
Inventory	7,521	7,276
Prepaid expenses	21,096	220,548
Total Current Assets	45,429	230,862
PROPERTY AND EQUIPMENT, net	11,939	12,855
Security deposits	2,285	2,285
TOTAL ASSETS	59,653	246,002
Accounts payable and accrued expenses	82,313	81,926
Accrued interest payable	16,770	7,154
Payroll liabilities	337,949	136,424
Derivative liability	103,358	
Notes payable	97,500	77,000
Convertible notes payable, net	123,000	75,000
Related party payable	52,300	
Total Current Liabilities	813,190	377,504
TOTAL LIABILITIES	813,190	377,504
Common stock; 2,000,000,000 shares authorized, at $0.001 par value, 47,377,178 and 66,676,182 shares issued and outstanding, respectively	47,377	66,676
Additional paid-in capital	37,338,568	37,144,409
Deficit accumulated during the development stage	(38,139,482)	(37,342,587)
Total Stockholders' Deficit	(753,537)	(131,502)
TOTAL LIABILITIES AND STOCKHOLDERS' (DEFICIT)	$ 59,653	$ 246,002

Note 2 - Going Concern	6 Months Ended Mar. 31, 2013
Notes	
Note 2 - Going Concern	**NOTE 2 - GOING CONCERN** The Company's financial statements are prepared using generally accepted accounting principles in the United States of America applicable to a going concern which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The Company has not yet established an ongoing source of revenues sufficient to cover its operating costs and allow it to continue as a going concern. During the six months ended March 31, 2013 the Company realized a net loss of $796,895 and had a working capital deficit of $767,761. The ability of the Company to continue as a going concern is dependent on the Company obtaining adequate capital to fund operating losses until it becomes profitable. If the Company is unable to obtain adequate capital, it could be forced to cease operations. In order to continue as a going concern, the Company will need, among other things, additional capital resources. Management's plan is to obtain such resources for the Company by obtaining capital from management and significant shareholders sufficient to meet its minimal operating expenses and seeking equity and/or debt financing. However management cannot provide any assurances that the Company will be successful in accomplishing any of its plans. The ability of the Company to continue as a going concern is dependent upon its ability to successfully accomplish the plans described in the preceding paragraph and eventually secure other sources of financing and attain profitable operations. The accompanying financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

Note 3 - Related Party Notes Payable	6 Months Ended Mar. 31, 2013
Notes	
Note 3 - Related Party Notes Payable	**NOTE 3 – RELATED PARTY NOTES PAYABLE** During the period ended March 31, 2013 the Company borrowed an aggregate amount of $44,300 from its former CEO, Jeff Pollitt. The note is unsecured, bears no interest and is due on demand. During the period ended March 31, 2013 the Company borrowed an aggregate amount of $13,000 from its CMO, Niccole Leigh. The Company made a $5,000 payment on this amount during the period, leaving an open balance of $8,000 at March 31, 2013. The note is unsecured, bears no interest and is due on demand.

Statements of Operations (USD $)	3 Months Ended		6 Months Ended	
	Mar. 31, 2013	Mar. 31, 2012	Mar. 31, 2013	Mar. 31, 2012
REVENUES	$ 59,523		$ 128,278	
COST OF SALES	38,157		55,887	
GROSS PROFIT	21,366		72,391	
Depreciation	453		916	
Professional fees	188,307		329,884	
General and administrative	146,191	34,257,974	304,752	34,563,244
Total Operating Expenses	334,951	34,257,974	635,552	34,563,244
LOSS FROM OPERATIONS	(313,585)	(34,257,974)	(563,161)	(34,563,244)
Interest expense	(121,674)		(125,616)	
Loss on derivative liability	(108,118)		(108,118)	
Total Other Expenses	(229,792)		(233,734)	
INCOME (LOSS) BEFORE INCOME TAXES	(543,377)	(34,257,974)	(796,895)	(34,563,244)
NET INCOME (LOSS)	$ (543,377)	$ (34,257,974)	$ (796,895)	$ (34,563,244)
BASIC AND DILUTED INCOME (LOSS) PER SHARE	$ (0.01)	$ (1.95)	$ (0.01)	$ (1.97)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	54,365,357	17,577,512	56,719,054	17,577,512

Document and Entity Information	6 Months Ended Mar. 31, 2013	May 13, 2013
Document and Entity Information:		
Entity Registrant Name	FONU2 Inc.	
Document Type	10-Q	
Document Period End Date	Mar. 31, 2013	
Amendment Flag	false	
Entity Central Index Key	0001168325	
Current Fiscal Year End Date	--09-30	
Entity Common Stock, Shares Outstanding		45,678,605
Entity Filer Category	Smaller Reporting Company	
Entity Current Reporting Status	Yes	
Entity Voluntary Filers	No	
Entity Well-known Seasoned Issuer	No	
Document Fiscal Year Focus	2013	
Document Fiscal Period Focus	Q2	

Statements of Cash Flows (USD $)	6 Months Ended	
	Mar. 31, 2013	Mar. 31, 2012
Net loss	$ (796,895)	$ (34,563,244)
Change in depreciation	916	
Amortization of debt discount	87,000	
Gain (loss) on derivative liability	108,118	
Default provision on note payable	29,000	
Stock-based compensation	44,100	34,159,083
Contributed salary		125,000
Change in inventory	(245)	
Prepaid expenses and other assets	199,452	(17,715)
Accounts payable & accrued liabilities	235,028	498
Net Cash Used in Operating Activities	(93,526)	(296,378)
Net Cash Used in Investing Activities		8,249
Capital contributions		1,000
Distributions to shareholders		(1,830)
Cash received on convertible notes payable	55,000	75,000
Net advances from related party debt	52,300	
Common and preferred stock issued for cash		214,749
Net Cash Provided by Financing Activities	107,300	288,919
NET INCREASE (DECREASE) IN CASH	13,774	790
CASH AT BEGINNING OF YEAR	3,038	13,840
CASH AT END OF YEAR	16,812	14,630
Conversion of accounts payable to notes payable	23,500	
Common stock issued for convertible notes payable	39,000	
Cancellation of common stock	23,103	
Debt discount from derivative liability	87,000	
Write off of derivative liability into additional paid in capital	$ 91,760	

Note 8 - Subsequent Events	6 Months Ended Mar. 31, 2013
Notes	
Note 8 - Subsequent Events	**NOTE 8 - SUBSEQUENT EVENTS** Subsequent to March 31, 2013, the Company issued 175,000 shares of common stock for services provided by management, issued 1,981,515 shares of common stock for services provided by consultants, and issued an additional 1,190,476 shares of common stock upon the conversion of $15,000 in convertible debt.

Note 7 - Common Stock

6 Months Ended
Mar. 31, 2013

Notes
Note 7 - Common Stock

NOTE 7 - COMMON STOCK

On October 22, 2012 the Company entered into a Redemption Agreement with HMBL Trust, William Lavenia, and SLP-DZ-NTZ, LLC (collectively, the "Stockholders"), by which the Company agreed to purchase a total of 8,102,736 shares of its common stock from the Stockholders for total aggregate consideration of one dollar. The Company further agreed to release the Stockholders from any and all liability relating to any claims that it may have as of the date of the Redemption Agreement. The 8,102,736 repurchased shares of common stock were cancelled immediately upon receipt.

During the six months ended March 31, 2013 the Company issued 1,050,000 shares of common stock for services valued at $44,100.

On February 27, 2013, Jeff Pollitt, the Company' s CEO, resigned his position with the Company. Pursuant to this resignation, Mr. Pollitt returned 15,000,000 of his 22,796,962 shares of the Company' s common back to the Company. The 15,000,000 shares were cancelled by the Company immediately upon receipt.

On March 25, 2013 the Company issued 2,753,732 shares of common stock to a third party pursuant to a partial conversion of a convertible promissory note. The issuance resulted in a $39,000 reduction to the convertible promissory note, which has an outstanding balance of $48,000 at March 31, 2013.

Note 1 - Condensed Financial Statements	6 Months Ended Mar. 31, 2013
Notes	
Note 1 - Condensed Financial Statements	**NOTE 1 - CONDENSED FINANCIAL STATEMENTS** The accompanying financial statements have been prepared by the Company without audit. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations, and cash flows at March 31, 2013 and for all periods presented herein, have been made. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. It is suggested that these condensed financial statements be read in conjunction with the financial statements and notes thereto included in the Company's September 30, 2012 audited financial statements. The results of operations for the periods ended March 31, 2013 are not necessarily indicative of the operating results for the full year.

Note 6 - Convertible Notes Payable	6 Months Ended Mar. 31, 2013

Notes
Note 6 - Convertible Notes Payable

NOTE 6 – CONVERTIBLE NOTES PAYABLE

During 2013, $58,000 of notes payable that were previously not convertible became convertible. The embedded conversion options in these notes are required to be classified as liabilities. See Note 5. In addition, the Company elected to convert $39,000 of the note principal into common stock (see Note 7). This partial conversion triggered a prepayment clause in the note whereby the principal was multiplied by 150% immediately prior to the partial conversion. As such, the Company recorded a loss on conversion of debt in the amount of $29,000 during the three months ended March 31, 2013, representing the increase in the note. As of March 31, 2013, the note had an outstanding principal balance of $48,000.

On March 11, 2013 the Company entered into a convertible promissory note with an unrelated third party, wherein the Company borrowed $78,500. $23,500 of the proceeds were paid directly to the Company's vendors by the lender. The principal accrues interest at a rate of eight percent per annum and is due in full on December 16, 2013. The note is convertible at the option of the holder at any point at least 180 days from the note date at a 42 percent discount to the average of the three lowest closing prices during the ten day period prior to conversion. The note will accrue interest at a rate of 22 percent per annum should the Company default.