

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

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FILER

BASANITE, INC.

CIK: **1448705** | IRS No.: **204959207** | State of Incorporation: **NV** | Fiscal Year End: **1231**
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Mailing Address

2041 NW 15TH AVENUE
POMPANO BEACH FL 33069

Business Address

2041 NW 15TH AVENUE
POMPANO BEACH FL 33069
855-232-3282

**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, 2021**

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)

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 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

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by checkmark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

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

Class	Shares Outstanding as of August 21, 2021
Common Stock, \$0.001 par value per share	248,520,598

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PART I. – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

BASANITE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
AS OF JUNE 30, 2021 (UNAUDITED) AND DECEMBER 31, 2020

	<u>June 30, 2021</u>	<u>December 31, 2020,</u>
	<u>(Unaudited)</u>	
<u>ASSETS</u>		
CURRENT ASSETS		
Cash	\$ 77,400	\$ 259,505
Accounts receivable, net	8,509	1,907
Inventory	678,159	446,575
Prepaid expenses	129,915	40,283
Deposits and other current assets	278,323	75,995
TOTAL CURRENT ASSETS	<u>1,172,306</u>	<u>824,265</u>
Lease right-of-use asset	881,666	1,004,167
Fixed assets, net	1,226,440	1,020,035
Total Long-Term Assets	<u>2,108,106</u>	<u>2,024,202</u>
TOTAL ASSETS	<u>\$ 3,280,412</u>	<u>\$ 2,848,467</u>
<u>LIABILITIES AND STOCKHOLDERS' DEFICIT</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 358,916	\$ 249,353
Accrued expenses	136,950	197,350
Accrued legal liability	503,286	809,127
Notes payable	787,412	128,021
Notes payable – related party	300,000	—
Notes payables - convertible, net	—	10,000
Notes payable - convertible - related party, net	1,689,746	1,025,000
Subscription liability	—	40,000
Lease liability - current portion	209,034	267,289
TOTAL CURRENT LIABILITIES	<u>3,985,344</u>	<u>2,726,140</u>
Lease liability - net of current portion	756,793	826,388
TOTAL LIABILITIES	<u>4,742,137</u>	<u>3,552,528</u>
STOCKHOLDERS' DEFICIT		
Preferred stock, \$0.001 par value, 5,000,000 shares authorized, none issued and outstanding	—	—
Common stock, \$0.001 par value, 1,000,000,000 shares authorized, 228,522,454 and 224,836,785 shares issued and outstanding, respectively	228,523	224,838
Additional paid-in capital	36,943,818	28,714,488
Accumulated deficit	(38,634,066)	(29,643,387)
TOTAL STOCKHOLDERS' DEFICIT	<u>(1,461,725)</u>	<u>(704,061)</u>
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	<u>\$ 3,280,412</u>	<u>\$ 2,848,467</u>

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

BASANITE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE & SIX MONTHS ENDED JUNE 30, 2021, AND 2020
(UNAUDITED)

	For the three months ended		For the six months ended	
	June 30,		June 30,	
	2021	2020	2021	2020
Revenue				
Products Sales - Rebar	\$ 15,549	\$ 593	\$ 19,685	\$ 2,218
Total cost of goods sold	19,493	1,603	20,809	2,222
Gross loss	<u>(3,944)</u>	<u>(1,010)</u>	<u>(1,124)</u>	<u>(4)</u>
OPERATING EXPENSES				
Professional fees	79,355	53,016	193,087	162,874
Payroll, taxes and benefits	300,683	162,455	554,798	399,886
Consulting	117,375	81,875	230,625	98,938
General and administrative	950,167	283,034	1,533,937	500,987
Total operating expenses	<u>1,469,755</u>	<u>580,380</u>	<u>2,534,622</u>	<u>1,162,685</u>
NET LOSS FROM OPERATIONS	(1,451,524)	(581,390)	(2,513,571)	(1,162,689)
OTHER INCOME (EXPENSE)				
Gain on settlement of legal contingency	320,037	—	344,522	—
Miscellaneous income	3,116	—	3,116	70,817
Loss (gain) on extinguishment of debt	(3,056,892)	980	(6,743,015)	980
Loan forgiveness	—	—	124,143	—
Interest expense	(133,211)	(201,007)	(205,874)	(251,830)
Total other income (expense)	<u>(2,866,950)</u>	<u>(200,027)</u>	<u>(6,477,108)</u>	<u>(180,033)</u>
NET LOSS	<u>(4,318,474)</u>	<u>(781,417)</u>	<u>(8,990,679)</u>	<u>(1,342,722)</u>
Net loss per share – basic and diluted	<u>(0.019)</u>	<u>(0.003)</u>	<u>(0.039)</u>	<u>(0.007)</u>
Weighted average number of shares outstanding - basic and diluted	<u>227,837,337</u>	<u>234,917,946</u>	<u>227,115,792</u>	<u>205,202,856</u>

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

BASANITE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
FOR THE SIX MONTHS ENDED JUNE 30, 2021 AND 2020
(UNAUDITED)

Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Deficit
Shares	Par Value	Shares	Par Value			

Balance January 1, 2020	—	\$	—	200,735,730	\$	200,736	\$	24,216,042	\$	(25,444,056)	\$	(1,027,278)
Net loss	—		—	—		—		—		(561,305)		(561,305)
Balance March 31, 2020	—		—	200,735,730		200,736		24,216,042		(26,005,361)		(1,588,583)
Stock issued for cash	—		—	6,040,614		6,041		610,626		—		616,667
Return of shares issued as loan committee fee	—		—	(1,300,000)		(1,300)		(128,700)		—		(130,000)
Convertible debt and debt discount	—		—	3,125,201		3,125		761,932		—		765,057
Net loss	—		—	—		—		—		(781,417)		(781,417)
Balance June 30, 2020	—	\$	—	208,601,545	\$	208,602	\$	25,459,900	\$	(26,786,778)	\$	(1,118,276)
	<u>Preferred Stock</u>		<u>Common Stock</u>			<u>Additional</u>		<u>Accumulated</u>		<u>Total</u>		
	<u>Shares</u>	<u>Par Value</u>	<u>Shares</u>	<u>Par Value</u>		<u>Paid-in</u>		<u>Deficit</u>		<u>Stockholders'</u>		<u>Deficit</u>
						<u>Capital</u>				<u>Deficit</u>		
Balance January 1, 2021	—	\$	—	224,836,785	\$	224,838	\$	28,714,488	\$	(29,643,387)	\$	(704,061)
Warrants exercised for cash	—		—	1,000,000		1,000		122,500		—		123,500
Stock-based compensation	—		—	600,000		600		173,400		—		174,000
Stocks issued for cash	—		—	450,00		450		89,550		—		90,000
Warrants issued with Debt	—		—	—		—		3,686,123		—		3,686,123
Net loss	—		—	—		—		—		(4,672,205)		(4,672,205)
Balance March 31, 2021	—		—	226,886,785		226,888		32,786,061		(34,315,592)		(1,302,643)

Stock issued for cash	—	—	735,669	735	241,041	—	241,776
Stock-Based Compensation	—	—	900,000	900	554,625	—	555,525
Warrant Issued with Debt	—	—	—	—	3,362,091	—	3,362,091
Net loss	—	—	—	—	—	(4,318,474)	(4,318,474)
Balance June 30, 2021	—	\$	—	\$	228,522,454	\$	228,523
					\$	36,943,818	\$
						(38,634,066)	\$
							(1,461,725)

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

BASANITE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2021, AND 2020
(UNAUDITED)

	For the six months ended	
	June 30,	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (8,990,679)	\$ (1,342,722)
Adjustments to reconcile net loss to net cash used in operating activities:		
Lease right-of-use asset amortization	122,501	105,184
Depreciation	63,925	55,774
Amortization of debt discount	—	186,237
Gain on settlement of legal contingency	(344,522)	—
Loss (gain) on extinguishment of debt	6,743,015	(980)
Loan forgiveness	(124,143)	—
Stock-based compensation	729,525	—
Changes in operating assets and liabilities:		
Prepaid expenses	(89,632)	(33,252)
Inventory	(231,584)	15,639
Accounts receivable	(208,930)	—
Other current assets	—	47,888
Accounts payable and accrued expenses	(203,873)	33,339
Subscription liability	(40,000)	—
Lease liability	(127,850)	(107,487)
Net cash used in operating activities	<u>(2,294,501)</u>	<u>(1,040,380)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of equipment	(270,330)	(59,377)
Net cash used in investing activities	<u>(270,330)</u>	<u>(59,377)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of common stock	331,776	616,667
Proceeds from warrants exercised for cash	123,500	—
Repayment of convertible notes payable and convertible notes payable related party	(35,000)	(348,000)
Proceeds from notes payable and notes payable related party	1,391,194	266,727

Proceeds from convertible notes payable and convertible notes payable related party	579,741	585,000
Repayment of notes payable and notes payable related party	(8,485)	(33,306)
Net cash provided by financing activities	<u>2,382,726</u>	<u>1,087,088</u>
NET INCREASE (DECREASE) IN CASH	(182,105)	(12,669)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>259,505</u>	<u>129,152</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 77,400</u>	<u>\$ 116,483</u>
Supplemental cash flow information:		
Cash paid for interest	<u>\$ 4,016</u>	<u>\$ 34,747</u>
Forgiveness of Paycheck Protection Program loan and accrued interest	<u>124,143</u>	<u>—</u>

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

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BASANITE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
FOR THE SIX MONTHS ENDED JUNE 30, 2021, AND 2020
(UNAUDITED)

	For the six months ended	
	June 30,	
	2021	2020
Supplemental disclosure of non cash investing and financing activities:		
Return of loan commitment shares	\$ —	\$ (130,000)
Issuance of warrants for services	<u>64,045</u>	<u>—</u>
Recording of debt discount on convertible notes	<u>—</u>	<u>685,000</u>
Conversion of convertible notes payable into common stock	<u>—</u>	<u>80,057</u>
Conversion of note payable in exchange for warrants	<u>305,199</u>	<u>—</u>

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

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BASANITE, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1 – ORGANIZATION, NATURE OF BUSINESS AND GOING CONCERN

(A) Description of Business

Basanite, Inc., a Nevada corporation (the “Company”, “Basanite”, “we”, “us”, “our” or similar terminology), through our wholly owned subsidiary, Basanite Industries, LLC, a Delaware limited liability company (“BI”), manufactures a range of “green” (environmentally friendly), sustainable, non-corrosive, lightweight, composite products used in concrete reinforcement by the construction industry. Our core product is BasaFlex™, a basalt fiber reinforced polymer reinforcing bar (“rebar”) which we believe is a stronger, lighter, sustainable, non-conductive and corrosion-proof alternative to traditional steel.

Our two other main product lines are BasaMix™, which are fine denier basalt fibers available in various chopped sizes, and BasaMesh™, a line of Basalt Geogrid Mesh Rolls, intended to replace welded wire mesh (made of steel) and other fiber reinforced polymer (“FRB”) grids and mesh.

BasaMix™ is designed to help absorb the stresses associated with early-aged plastic shrinkage and settlement cracking in concrete, as well as providing an increased toughness for enhanced reinforcement in Slab on Grade (SOG) and precast elements. BasaMix™ also serves in a “system approach” for optimum performance of a concrete element when used in conjunction with our BasaFlex™ rebar.

BasaMesh™ is designed for secondary and temperature shrinkage reinforcement. BasaMesh™ can also work in conjunction with the BasaFlex™ rebar or BasaMix™ for a total reinforcement program.

Each of our products is specifically designed to extend the lifecycle of concrete products by eliminating “concrete spalling.” Spalling results from the steel reinforcing materials embedded within the concrete member rusting (contrary to popular belief, concrete is porous and water can permeate into concrete). Rusting leads to the steel expanding and eventually causing the surrounding concrete to delaminate, crack, or even break off, resulting in potential structural failure. We believe that each Basanite product addresses this important need along with other key requirements in today’s construction market.

We believe that the following attributes of BasaFlex™ provide it with a competitive advantage in the marketplace:

- *BasaFlex™ never corrodes*: steel reinforcement products rust, leading to spalling and significant repair costs down the road;
- *BasaFlex™ is sustainable*: BasaFlex™ is made from Basalt rock, the most abundant rock found on Earth’s surface, and offers a longer product lifecycle than traditional steel (the lack of corrosion allows the life span of concrete products reinforced with BasaFlex to be significantly longer);
- *BasaFlex™ is “green”*: From mining, through production, to installation at the building site, *BasaFlex™* has an exceptionally low carbon footprint when compared with that of steel; and
- *BasaFlex™ has a lower in-place cost*: the physical nature of our products relative to steel result in a lower net cost to the contractor once installed, such as: BasaFlex™ is one-quarter of the weight of equivalent sized steel, meaning 4 times the quantity of material can be delivered by the same truck (or container); all Basanite products can be loaded/unloaded and moved around the jobsite by hand – no expensive handling equipment is needed; less concrete is required as BasaFlex™ does not require the extra concrete cover needed when using steel; and Basanite products are safer and easier to use. We believe all these factors materially reduce the net in-place cost of concrete reinforcement.

BASANITE, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

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

(B) Liquidity and Management Plans

Since inception, the Company has incurred net operating losses and used cash in operations. As of June 30, 2021, and December 31, 2020, respectively, the Company reported:

- an accumulated deficit of \$38,634,066 and \$29,643,387;
- a working capital deficiency of \$2,813,038 and \$1,901,875; and
- cash used in operations of \$2,294,501 and \$2,799,499.

Losses have principally occurred as a result of the substantial resources required for product research and development and for marketing of the Company’s products; including the general and administrative expenses associated with the organization.

While we have generated relatively little revenue to date, we continue to receive inquiries from a range of customers for our products, indicating what we believe is a significant level of market interest for BasaFlex™. Some of these inquiries would be for very large potential orders for new, multi-year construction projects. Based on our current limited manufacturing capacity (which we plan to begin to expand with the net proceeds of our private placement offering described in note 13 below), these inquiries (if they lead to actual orders) would exceed our capability to deliver within the customer's requested timeframe, and largely because of this, there is no guarantee that orders will actually be received.

We have historically satisfied our working capital requirements through the sale of restricted common stock and the issuance of warrants and promissory notes. Until we are able to internally generate meaningful revenue and positive cash flow, we will attempt to fund working capital requirements through third party financing, including through potential private or public offerings of our securities as well as bridge or other loan arrangements. However, a number of factors continue to hinder the Company's ability to attract new capital investment. We cannot provide any assurances that the required capital will be obtained at all, 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 to reduce our cash use until sufficient funding is secured. If we are unable to secure funding when needed, our results of operations may suffer, and our business may fail.

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.

At June 30, 2021, the Company had cash of \$77,400 compared to \$259,505 at December 31, 2020. Subsequent to June 30, 2021, cash on hand was increased due to the closing of our private placement offering in August 2021 (see note 13).

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) 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.

Stock-based compensation and stock awards related to convertible debt instruments are recognized based on the fair value of the awards granted. The fair value of each award or conversion feature is typically estimated on the grant date using the Black-Scholes pricing model. The Black-Scholes pricing model requires the input of highly subjective assumptions, including the fair value of the underlying common stock, the expected term of the option, the expected volatility of the price of our common stock, risk-free interest rates and the expected dividend yield of our common stock. The assumptions used to determine the fair value of the stock awards represent management's best estimates. These estimates involve inherent uncertainties and the application of management's judgment.

BASANITE, INC. AND SUBSIDIARIES NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(B) Principles of Consolidation

The consolidated financial statements include the accounts of Basanite, Inc. and its wholly owned subsidiaries, Basanite Industries, LLC and Basalt America, LLC. All intercompany balances have been eliminated in consolidation. The Company's operations are conducted primarily through Basanite Industries, LLC. Basalt America, LLC is currently inactive.

(C) Cash

The Company considers all highly liquid temporary cash instruments with an original maturity of three months or less to be cash equivalents. The Company places its cash, cash equivalents and restricted cash on deposit with financial institutions in the United States, which are insured by the Federal Deposit Insurance Company ("FDIC") up to \$250,000. The Company's credit risk in the event of failure of these financial institutions is represented by the difference between the FDIC limit and the total amounts on deposit. Management monitors the financial institutions credit worthiness in conjunction with balances on deposit to minimize risk. The Company from time to time may have amounts on deposit in excess of the insured limits.

(D) Inventories

The Company's inventories consist of raw materials, work in process and finished goods, both purchased and manufactured. Inventories are stated at the lower of cost or net realizable value. Cost is determined on the first-in, first-out basis. Raw materials inventory consists primarily 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.

The Company's inventory at June 30, 2021 and December 31, 2020 was comprised of:

	June 30, 2021 (Unaudited)	December 31, 2020
Finished goods	\$ 575,360	\$ 305,550
Work in process	23,932	35,286
Raw materials	78,867	105,739
Total inventory	<u>\$ 678,159</u>	<u>\$ 446,575</u>

(E) Fixed assets

Fixed assets consist of the following:

	June 30, 2021 (Unaudited)	December 31, 2020
Computer equipment	\$ 117,141	\$ 15,780
Machinery	686,237	667,536
Leasehold improvements	163,882	161,579
Office furniture and equipment	71,292	71,292
Land improvements	7,270	7,270
Website development	2,500	2,500
Construction in process	382,915	234,950
Total fixed assets	1,431,237	1,160,907
Accumulated depreciation	(204,797)	(140,872)
Total fixed assets, net	<u>\$ 1,226,440</u>	<u>\$ 1,020,035</u>

**BASANITE, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Depreciation expense for the three and six months ended June 30, 2021, was \$32,216 and \$63,925, respectively, compared to \$29,947 and \$55,774 to the three and six months ended June 30, 2020.

(F) Deposits and other current assets

The Company's deposits and other current assets consist of the deposits made on equipment, security deposits, utility deposits and other receivables. The deposits are reclassified as part of the fixed asset cost when received and placed into service.

(G) Loss Per Share

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

The following are potentially dilutive shares not included in the loss per share computation:

	June 30, 2021	December 31, 2020
	(Unaudited)	
Options	4,727,778	4,542,500
Warrants	78,620,378	38,920,378
Convertible shares	173,579,371	112,233,406
	<u>256,927,527</u>	<u>155,696,284</u>

(H) Stock-Based Compensation

The Company recognizes compensation costs to employees under Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("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 grant.

The Company entered into a consulting agreement with Bridgeview Capital on July 9, 2020 for strategic planning and financial markets services in exchange for shares of restricted common stock as compensation. The term of the agreement is for six months with the option for renewal quarterly. Upon execution of the agreement, 600,000 shares were due within 5 days of execution. The execution date fair value of the shares was \$0.29 per share or \$174,000. If the Company agrees to renew each quarter, an additional 350,000 shares are to be issued per quarter. On July 9, 2021, the Company agreed to renew another quarter and issued 350,000 restricted common shares per the agreement. The execution date fair value of the shares was \$0.23 per share or \$80,500.

The Company entered into a consulting agreement with Seth Shaw on October 13, 2020 for strategic planning and financial markets services in exchange for shares of restricted common stock as compensation. The term of the agreement is for six months with the option for renewal quarterly. Upon execution of the agreement, no shares were due to be issued. If the Company agrees to renew each quarter, 250,000 shares are to be issued per quarter. On July 9, 2021, the Company agreed to renew another quarter and issued 250,000 restricted common shares per the agreement. The execution date fair value of the shares was \$0.23 per share or \$57,500.

**BASANITE, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Company entered into a consulting agreement with Frederick Berndt on May 12, 2021 for capital markets advisory services in exchange for restricted warrants to purchase shares of common stock as compensation. The term of the agreement is for twelve months with the option for renewal for an additional six months as needed. If the Company agrees to renew every twelve months, 250,000 warrants are to be issued at that time. On May 12, 2021, the Company issued 250,000 restricted common share warrants per the agreement. The execution date fair value of the warrants was \$0.256 per warrant or \$64,045.

The Company entered into a consulting agreement with Integrous Communications on May 17, 2021 for investor communications services in exchange for shares of restricted common stock as compensation. The term of the agreement is for six months with the option for renewal for an additional six months as needed. If the Company agrees to renew every six months, 300,000 shares are to be issued at that time. On June 10, 2021, the Company issued 300,000 restricted common shares per the agreement. The execution date fair value of the shares was \$0.299 per share or \$89,700.

On May 20, 2021, the Company issued 777,778 options with a strike price of \$0.27 to the Chairman of the Board as partial compensation for the services rendered in such role. The execution date fair value of the options was \$160,857. The options vested fully on May 20, 2021, and expire in 5 years which resulted in stock compensation expense of \$160,857 being recorded as of June 30, 2021.

On May 20, 2021, the Company issued 500,000 options with a strike price of \$0.28 to a director of the Company as partial compensation for services rendered in such role. The execution date fair value of the options was \$102,923. The options vested fully on May 20, 2021, and expire in 5 years which resulted in stock compensation expense of \$102,923 being recorded as of June 30, 2021.

The Company recognized \$729,525 in stock-based compensation as of June 30, 2021. As of June 30, 2021, \$81,563 of stock was issued for the consulting agreements but not earned as compensation and is included in prepaid expenses on the condensed consolidated balance sheet.

NOTE 3 – RECENT ACCOUNTING PRONOUNCEMENTS

Described below is a new accounting pronouncements issued or proposed by the FASB that has been adopted by the Company. Management does not believe this accounting pronouncement has had or will have a material impact on the Company's consolidated financial position or operating results, except as disclosed below or in future filings of the Company.

In August 2020, the FASB issued ASU No. 2020-06, Debt – Debt with Conversion and other Options (Subtopic 70-20) and Derivatives and Hedging – Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's instruments by removing major separation models required under current accounting principles generally accepted in the United States of America ("U.S. GAAP"). ASU 2020-06 removes certain settlement conditions that are required for equity contracts to qualify for the derivative scope exceptions and also simplifies the diluted earnings per share calculation in certain areas. The standard is effective for public business entities, excluding entities eligible to be smaller reporting companies as defined by the SEC, for fiscal years and interim periods within those fiscal years beginning after December 15, 2021. The Company early adopted this standard on January 1, 2021. By no longer recording embedded conversion features separately from the convertible debt instrument, and instead as a single liability, the Company's financial statements reflect a more simplified view of convertible debt instruments and cash interest expense that is believed to be more relevant than an imputed interest expense that results from the separation of conversion features previously required by U.S. GAAP. The adoption of this standard had no material effect on the Company's condensed consolidated financial statements as of June 30, 2021.

BASANITE, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

NOTE 4 – OPERATING LEASE

On January 18, 2019, the Company entered into an agreement to lease approximately 25,470 square feet of office and manufacturing space in Pompano Beach, Florida through March 2024. 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 increasing annually at a rate of three percent for the remainder of the lease term.

The right-of-use asset is composed of the sum of all remaining lease payments plus any initial direct costs and is amortized over the life of the expected lease term. For the expected term of the lease, the Company used 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.

The future minimum lease payments to be made under the operating lease as of June 30, 2021, are:

2021	\$	209,034
2022		427,484
2023		440,308
2024		110,888
Total minimum lease payments		1,187,714
Discount		(221,887)
Operating lease liability	\$	965,827

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, 2021, the weighted-average remaining lease term is 3 years and the weighted-average discount rate used to determine the operating lease liability was 15.0%. For the three months ended June 30, 2021, and 2020, the Company expensed \$107,117 and \$107,595. For the six months ended June 30, 2021, and 2020, the Company expensed \$214,036 and \$215,183, respectively, for rent.

NOTE 5 – NOTES PAYABLE – CONVERTIBLE

Notes payable – convertible totaled \$0 and \$10,000 at June 30, 2021 and December 31, 2020, respectively.

On August 3, 2020, the Company issued an unsecured convertible promissory note to an investor in exchange for \$10,000 bearing an interest rate of 18% per annum and payable in 6 months. The note included provisions which allowed the holder to convert the unpaid principal balance of the note into restricted common stock, of the Company at the conversion rate equal to the per share cash price paid for the shares by any third-party investor(s) with total proceeds to the Company of not less than \$500,000 provided, however, in no event shall the conversion price ever be less than \$0.01 per share. On February 16, 2021, the \$10,000 note was paid along with accrued interest in the amount of \$1,007.

Interest expense for the Company’s convertible notes payable for the three and six months ended June 30, 2021 was \$0 and \$161, respectively, compared to \$118,443 and \$158,250 for the three and six months ended June 30, 2020, respectively.

Accrued interest for the Company’s convertible notes payable on June 30, 2021 and December 31, 2020 was \$0 and \$760, respectively, and is included in accrued expenses on the condensed consolidated balance sheets.

BASANITE, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 6 – NOTES PAYABLE – CONVERTIBLE – RELATED PARTY

Notes payable – convertible – related party totaled \$1,689,746 and \$1,025,000 on June 30, 2021, and December 31, 2020, respectively.

On August 3, 2020, the Company issued a secured convertible promissory note to certain investors in exchange for \$1,000,000 in the aggregate bearing an interest rate of 20% per annum and payable in 6 months. The holder may convert the unpaid principal balance of the note into shares of restricted common stock, of the Company at the conversion rate equal to the per share cash price paid for the shares by any third-party investor(s) with total proceeds to the Company of not less than \$500,000 provided, however, in no event shall the conversion price ever be less than \$0.01 per share. This note contains a negative covenant that requires the Company to obtain consent prior to incurring any additional equity or debt investments and is secured by all of the assets of the Company. The Richard A. LoRicco Sr. and Lucille M. LoRicco Irrevocable Insurance Trust DTD 4/28/95, Louis Demaio as Trustee (the “Trust”) is the holder of \$750,000 of the principal amount of this note. The Trust was created by Richard A. LoRicco Sr. and Lucille M. LoRicco, who were the parents of Ronald J. LoRicco Sr., one of the members of the Company’s Board of Directors and is maintained by an independent trustee Ronald J. LoRicco Sr. does not have voting or investment control of or power over the Trust but is an anticipated, partial beneficiary of the Trust.

On February 12, 2021, the Company exchanged the original debt for a newly issued amended and restated secured convertible promissory note with a new principal balance of \$1,610,005 bearing an interest rate of 20% per annum and fully payable in 3 months. This was accounted for as debt extinguishment and the new promissory note was recorded at fair value in accordance with ASC 470 “Debt”.

The original principal of \$1,000,000 and accrued interest of \$110,005 calculated as of the date of amendment and restatement along with an additional advance of \$500,000 determined the principal amount of the new note. In consideration of the additional advance and the extension of the maturity date of the original note, the Company issued to the noteholders 15,000,000 5-year common stock warrants with an exercise price of \$0.20. The issuance of the warrants for the extension generated a loss on extinguishment of \$3,686,136 for the fair value of the warrants issued.

On May 12, 2021, the Company extended the debt for a newly issued amended and restated secured convertible promissory note with a new principal balance of \$1,689,746 bearing an interest rate of 20% per annum and fully payable in 9 months. The original principal of \$1,610,005 and accrued interest of \$79,742 calculated as of the date of amendment and restatement determined the principal amount of the new note. In consideration of the additional advance and the extension of the maturity date of the original note, the Company issued to the noteholders 7,500,000 5-year common stock warrants with an exercise price of \$0.35. The issuance of the warrants for the extension generated a loss on extinguishment of \$1,874,705 for the fair value of the warrants issued.

Interest expense for the Company's convertible notes payable – related parties for the three and six months ended June 30, 2021, was \$84,605 and \$151,521, respectively, compared to \$74,029 for the three and six months ended June 30, 2020.

Accrued interest for the Company's convertible notes payable – related parties on June 30, 2021, and December 31, 2020, was \$46,048 and \$86,574, respectively, and is included in accrued expenses on the condensed consolidated balance sheets.

BASANITE, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 7 – NOTES PAYABLE

Notes payable totaled \$787,412 and \$128,021 on June 30, 2021, and December 31, 2020, respectively.

On March 30, 2021, and May 18, 2021, the Company entered financing arrangements to finance the insurance premiums for its liability coverage. The financing has an interest rate of 9.67% and lasts through March 2022. The balance as of June 30, 2021, was \$26,665.

On February 25, 2021, the Company entered a promissory note agreement with its bank to memorialize a \$165,747 loan bearing an interest rate of 1.0% per annum. The loan was made pursuant to the Paycheck Protection Program under the Second Draw PPP Legislation after receiving confirmation from the U.S. Small Business Administration (“SBA”). The Paycheck Protection Program Flexibility Act requires that the funds be used to maintain the current number of employees as well as cover payroll-related costs, monthly mortgage or rent payments and utilities and not more than 40% can be expended on non-payroll-related costs. The applicable maturity date will be the maturity date as established by the SBA. If the SBA does not establish a maturity date or range of allowable maturity dates, the term will be five years.

On April 2, 2021, the Company issued a promissory note with an investor in exchange for \$200,000 bearing an interest rate of 18% per annum and payable in 1 year. The company also issued 2,000,000 common stock warrants at an exercise price of \$0.20 per share expiring in 5 years.

On April 9, 2021, the Company issued a promissory note with an investor in exchange for \$50,000 bearing an interest rate of 18% per annum and payable in 1 year. The company also issued 500,000 common stock warrants at an exercise price of \$0.20 per share expiring in 5 years.

On April 16, 2021, the Company issued a promissory note with an investor, in exchange for \$300,000 bearing an interest rate of 18% per annum. The maturity date for the promissory note is April 16, 2022. The company also issued 3,000,000 common stock warrants at exercise price of \$0.25 per share expiring in 5 years. As of this filing the note remains unexecuted.

On April 16, 2021, the Company issued a promissory note with an investor in exchange for \$25,000 bearing an interest rate of 18% per annum and payable in 1 year. The company also issued 250,000 common stock warrants at an exercise price of \$0.25 per share expiring in 5 years.

On April 16, 2021, the Company issued a promissory note with an investor in exchange for \$20,000 bearing an interest rate of 18% per annum and payable in 1 year. The company also issued 200,000 common stock warrants at an exercise price of \$0.25 per share expiring in 5 years.

On April 16, 2021, the Company issued a promissory note with an investor in exchange for \$300,000 bearing an interest rate of 18% per annum and payable in 1 year. The company also issued 3,000,000 common stock warrants at an exercise price of \$0.25 per share expiring in 5 years.

On April 16, 2021, the Company issued a promissory note with an investor in exchange for \$300,000 bearing an interest rate of 18% per annum and payable in one year. The company also issued 3,000,000 common stock warrants at an exercise price of \$0.25 per share expiring in 5 years. On May 21, 2021, the investor converted the promissory note of \$300,000 in exchange for 6,000,000 common stock warrants at an exercise price of \$0.15 per share expiring in 5 years. The accrued interest of \$5,199 was forgiven. The conversion of the debt to warrants generated a loss on extinguishment of \$1,487,386 for the fair value of the warrants issued.

Interest expense for the Company's notes payable for the three and six months ended June 30, 2021, was \$29,802 and \$30,177, respectively, compared to \$2,025 and \$3,986 to the three and six months ended June 30, 2020.

Accrued interest for the Company's notes payable on June 30, 2021, and December 31, 2020, was \$24,540 and \$0, respectively, and is included in accrued expenses on the condensed consolidated balance sheets.

BASANITE, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 8 – NOTES PAYABLE - RELATED PARTY

Notes payable - related party totaled \$300,000 and \$0 on June 30, 2021, and December 31, 2020, respectively.

On April 2, 2021, the Company issued a promissory note with Paul Sallarulo, a member of our Board of Directors, in exchange for \$150,000 bearing an interest rate of 18% per annum and payable in 1 year. The company also issued 1,500,000 common stock warrants at an exercise price of \$0.20 per share expiring in 5 years.

On April 2, 2021, the Company issued a promissory note with Michael V. Barbera, our Chairman of the Board, in exchange for \$150,000 bearing an interest rate of 18% per annum and payable in 1 year. The company also issued 1,500,000 common stock warrants at an exercise price of \$0.20 per share expiring in 5 years.

Interest expense for the Company's notes payable – related party for the three and six months ended June 30, 2021, was \$13,335, respectively, compared to \$364 and \$2,455 for the three and six months ended June 30, 2020.

Accrued interest for the Company's notes payable - related party on June 30, 2021, and December 31, 2020, was \$13,335 and \$0, respectively, and is included in accrued expenses on the condensed consolidated balance sheets.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

Supplier Agreement

MEP Consulting Engineers, Inc.

On July 23, 2020, the Company entered into an Exclusive Supplier Agreement with MEP Consulting Engineers, Inc. (“MEP”) of Miami, Florida. MEP engaged the Company as its sole and exclusive supplier and producer of basalt fiber reinforced polymer (“BFRP”) rebar, with the intent of developing a proprietary rebar to be named “Hurricane Bar.” The agreement also provides MEP with exclusive distribution rights to the Company's BasaFlex™ BFRP rebar and other Company products in Miami-Dade County.

The agreement is targeting substantial volumes of South Florida construction projects in the works, which is expected to generate material revenues over the 5-year period. As compensation, MEP was provided the ability to exercise options to purchase a total of 5,000,000 restricted common shares of the Company, over the 5 years from the supplier agreement effective date, tied to sales

performance. This option shall automatically expire after the end of the option period. An extension period is available through specific clauses in the agreement. To date, the compensation portion of the agreement has not been fully executed.

The Company did not produce product under this contract for the period ending June 30, 2021.

CR Business Consultants, Inc.

On October 22, 2020, the Company entered into an Exclusive Supplier Agreement with CR Business Consultants, Inc. (“CRBC”). CRBC agreed to utilize the Company as its exclusive supplier for all Company products, and the Company has granted CRBC exclusive distribution rights of the Company’s products in the Republic of Costa Rica and the Republic of Panama. Furthermore, CRBC has key relationships that could be a source of additional customers for the Company in other territories with no geographic restrictions.

The agreement is targeting multiple large projects in Costa Rica, to include the rebuilding of the Port of Limon, which Basanite has been specified. The recognized construction projects are expected to produce material revenues over the 5-year period. As compensation, CRBC was provided the ability to exercise options to purchase a total of 5,000,000 restricted common shares of the Company, over the 5 years from the supplier agreement effective date, tied to sales performance. This option shall automatically expire after the end of the option period. An extension period is available through specific clauses in the agreement.

BASANITE, INC. AND SUBSIDIARIES NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 9 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

The Company did not produce product under this contract for the period ending June 30, 2021.

Legal Matters

In the ordinary course of operations, the Company may become a party to legal proceedings. Based upon information currently available, management believes that such legal proceedings, individually or in the aggregate, will not have a material adverse effect on the Company’s business, financial condition, cash flows, or results of operations except as provided below.

CalSTRS Judgement

On March 31, 2014, the Company received a “Notice of Default” letter from legal counsel representing the California State Teachers Retirement System (“CalSTRS”) (the landlord for the Company’s office space) alerting that the Company was in default of its lease for failure to pay monthly rent for the office space located at 2400 East Commercial Boulevard, Suite 612, Fort Lauderdale, Florida 33304. The letter demanded immediate payment of \$41,937 for rent past due as of April 1, 2014. The Company had indicated in writing its intention to cooperate with CalSTRS while trying to resolve the matter. On February 11, 2015, CalSTRS, 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. 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 and the Company has reserved the entire judgement of \$388,866. The total amount is accruing interest at the statutory rate of 4.75%. The accrued interest on the judgement on June 30, 2021, and December 31, 2020, is \$114,419.95 and \$105,260, respectively.

RAW Materials Litigation

On or about August 28, 2018, Raw Energy Materials Corp. (“Raw Energy”) filed an action for declaratory relief and breach of contract in Broward County, Florida, in the 17th Judicial Circuit Court, titled Raw Energy Materials Corp. v. Rockstar Acquisitions, LLC, Paymeon, Inc. (now Basanite, Inc.), and Basalt America, LLC, CASE NO.: CACE 18-020596. An Amended Complaint was filed on or about December 19, 2018, adding the Company’s subsidiary Basanite Industries, LLC as a defendant, as well as an alleged claim under Florida Statute Section 501.201 and for injunction. The Company filed and has pending an amended counterclaim for breach of contract, fraud, and civil conspiracy against Raw Energy affiliates, including Donald R. Smith, Elina Jenkins, Global Energy Sciences, LLC, Yellow TurtleDesign, LLC (“YellowTurtle”), as well as former business affiliates/associates to Don Smith, Richard Laurin and Robert Ludwig. The nature of the dispute is based on representations (or misrepresentations) the Company alleges were made to it, as well as breaches of the terms of a licensing agreement, related consulting and other agreements, and failures and refusals of plaintiff and

Don Smith related entities to deliver equipment/machinery and goods paid for by the Company or its affiliates. As it became apparent that the subject license agreement was effectively worthless and moot to the Company, and the purported and promised trade secrets and intellectual property were essentially non-existent, the Company and Plaintiff agree to an order terminating that license agreement, which resulted in the agreed order dated January 28, 2019.

A mediation was scheduled on March 4, 2021, which resulted in an impasse. Negotiations were continued, and on April 14, 2021, Basanite, Inc. entered into a settlement and release agreement with RAW, LLC (“RAW”), Donald R. Smith, YellowTurtle and Elina B. Jenkins among others. The settlement agreement provides for, among other things, the following: (i) a dismissal of the legal action as to the above-referenced parties and their owners, agents, affiliated companies, successors and assigns, having Case Number 18-020596 (21) in the Seventeenth Judicial Circuit Court in and for Broward County, Florida (the “Litigation”) upon the Company’s timely purchase of the shares as set forth in the next paragraph below and (ii) mutual general releases for the above-referenced parties relating to the Litigation upon the Company’s timely purchase of the shares as set forth in the next paragraph below.

Simultaneously with the execution of the settlement agreement settling the litigation in full and release of all claims among the parties, the Company entered into stock purchase agreements with both RAW and YellowTurtle to repurchase the 10,000,000 shares of the Company’s common stock held by RAW for \$1,212,121 and the 6,500,000 shares of the Company’s common stock held by YellowTurtle for \$787,879, or an aggregate purchase price of \$2,000,000. On May 17, 2021, the settlement shares were purchased by a group of related and non-related investors which resulted in the closing of this legal action. As a result of the settlement, the Company recognized a gain on settlement of \$320,037 from the derecognition of previously accrued contingent legal liabilities.

BASANITE, INC. AND SUBSIDIARIES
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NOTE 10 – STOCKHOLDERS’ DEFICIT

On May 21, 2021, the Company converted a \$300,000 note payable into 6,000,000 warrants to purchase shares of the Company’s common stock warrants. The fair value of the warrants was recorded as a loss on extinguishment of debt for \$1,487,386 and is included in additional paid-in capital of the statement of stockholders’ deficit.

On June 10, 2021, 600,000 shares were issued per the two consulting agreements entered on July 9, 2020, and October 16, 2020, for fundraising services. The value of the shares for both agreements is \$138,000 and will be expensed over the renewable three-month term of the agreement.

On June 10, 2021, 300,000 shares were issued per the consulting agreement entered on May 17, 2021, for investor relations services. The value of the shares for agreement is \$89,700 and will be expensed over the renewable six-month term of the agreement.

The Company issued 735,669 and 1,185,669 restricted common shares to various investors for the three and six months ended June 30, 2021, for cash proceeds totaling \$241,776 and \$331,776, respectively. The Company issued 6,040,614 restricted common shares to various investors for the three and six months ended June 30, 2020, for cash proceeds totaling \$616,667.

NOTE 11 – OPTIONS AND WARRANTS

Stock Options:

The following table summarizes all option grants outstanding to consultants, directors, and employees as of June 30, 2021, and December 31, 2020, and the related changes during these periods are presented below.

	June 30, 2021	December 31, 2020
Options outstanding and exercisable	4,727,778	4,542,500
Weighted-average exercise price	\$ 0.36	\$ 0.41
Aggregate intrinsic value	\$ 579,494	118,148
Weighted-average remaining contractual term (years)	4.19	3.86

The Company uses 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, 2021, 1,092,500 options were cancelled. The company granted 1,277,778 options for the period ending June 30, 2021.

Stock Warrants:

The following table summarizes all warrant grants outstanding to consultants, directors and employees as well as investors as of June 30, 2021, and December 31, 2020, and the related changes during these periods are presented below.

	June 30, 2021	December 31, 2020
Warrants outstanding and exercisable	78,620,378	38,920,378
Weighted-average exercise price	\$ 0.25	\$ 0.27
Aggregate intrinsic value	\$ 15,067,991	\$ 2,973,660
Weighted-average remaining contractual term (years)	3.86	3.37

During the six months ended June 30, 2021, 40,700,000 five-year 5 warrants were issued. During the six months ended June 30, 2021, 1,000,000 warrants were exercised.

During the three months ended June 30, 2021, and 2020, total stock-based compensation expense amounted to \$482,953 and \$0, respectively.

During the six months ended June 30, 2021, and 2020, total stock-based compensation expense amounted to \$647,963 and \$0, respectively.

**BASANITE, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 12 – RELATED PARTIES

In addition to those transactions discussed in Notes 5 and 7, the Company had the following related party transactions.

Issuance of notes payable - related parties, totaling \$100,000 and detailed in Note 13 – Subsequent Events.

NOTE 13 – SUBSEQUENT EVENTS

On July 7, 2021, the Company issued a promissory note with an entity managed by Ronald J. LoRicco, Sr., a member of our Board of Directors, in exchange for \$50,000 bearing an interest rate of 10% per annum. The maturity date for the promissory note is July 23, 2021. The note payable remains outstanding as of this filing.

On July 7, 2021, the Company issued a promissory note with Michael V. Barbera, our Chairman of the Board, in exchange for \$50,000 bearing an interest rate of 10% per annum. The maturity date for the promissory note is July 23, 2021. The note payable remains outstanding as of this filing.

On July 9, 2021, 600,000 shares of common stock were issued per the two consulting agreements entered on July 9, 2020, and October 16, 2020, for fundraising services.

On July 15, 2021, the Company issued a promissory note with David Anderson, our Chief Operating Officer, in exchange for \$20,000 bearing an interest rate of 10% per annum. The maturity date for the promissory note is July 23, 2021. The note payable was paid in full on August 18, 2021.

On July 26, 2021, the Company issued a promissory note with David Anderson, our Chief Operating Officer, in exchange for \$30,500 bearing an interest rate of 10% per annum. The maturity date of the promissory note is August 2, 2021. The note payable was paid in full on August 18, 2021.

On July 27, 2021, the Company issued a promissory note with Simon Kay, our Interim Acting Chief Executive Officer and Principal Financial Officer, in exchange for \$10,000 bearing an interest rate of 10% per annum. The maturity date of the promissory note is August 3, 2021. The note payable was paid in full on August 18, 2021.

On August 17, 2021, the Company conducted the closing (the “Closing”) of a private placement offering to accredited investors (the “Offering”) of the Company’s units (the “Units”) at a price of \$0.275 per Unit, with each Unit consisting of: (i) one (1) share of the Company’s common stock, (ii) a five-year, immediately exercisable warrant (“Warrant A”) to purchase one (1) share of common stock at an exercise price of \$0.33 per share (“Exercise Price”) and (iii) an additional five-year, immediately exercisable warrant to purchase one (1) share of common stock at the Exercise Price (“Warrant B”). The Warrant A and Warrant B are identical, except that the Warrant B has a call feature in favor of the Company.

In connection with the Closing, the Company entered into definitive securities purchase agreements with 17 accredited investors and issued an aggregate of 19,398,144 shares of common stock, Warrant As to purchase up to an aggregate of 19,398,144 shares of Common Stock, and Warrant Bs to purchase up to an aggregate of 19,398,144 shares of Common Stock (for an aggregate of 38,796,288 Warrant Shares), for aggregate gross proceeds to the Company of approximately \$5,334,490. No actual Units were issued in the Offering. Aegis Capital Corp. (“Aegis”) acted as the Company’s placement agent in connection with the Offering, for which Aegis received customary cash fees and expense reimbursements.

The net proceeds of the Offering (approximately \$4,770,000) will be used by the Company for expansion of its manufacturing capability, sales and marketing, satisfaction of certain indebtedness and general working capital purposes.

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

Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains “forward-looking statements” (as defined in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended). 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 customer leads, product sales, future financings, or the commercial success of our business model. 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 and adversely from those disclosed in the forward-looking statements. Forward-looking statements are subject to a number of significant risks and uncertainties, including without limitation those described from time to time in our 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 condensed 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 six months ended June 30, 2021, and 2020, respectively. 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 in Form-10-K for the period ended December 31, 2020 and filed with the SEC on March 31, 2021.

On May 30, 2006, Basanite, Inc. was formed as a Nevada corporation. Through our wholly owned subsidiary, Basanite Industries, LLC, a Delaware limited liability company (“BI”), we manufacture a range of “green” (environmentally friendly), sustainable, non-corrosive, lightweight, composite products used in concrete reinforcement by the construction industry. Our core product is BasaFlex™, a basalt fiber reinforced polymer reinforcing bar (“rebar”) which we believe is a stronger, lighter, sustainable, non-conductive and corrosion-proof alternative to traditional steel.

Our two other main product lines are BasaMix™, which are fine denier basalt fibers available in various chopped sizes, and BasaMesh™, a line of Basalt Geogrid Mesh Rolls, intended to replace welded wire mesh (made of steel) and other fiber reinforced polymer grids and mesh.

BasaMix™ is designed to help absorb the stresses associated with early-aged plastic shrinkage and settlement cracking in concrete, as well as providing an increased toughness for enhanced reinforcement in Slab on Grade (SOG) and precast elements. BasaMix™ also serves in a “system approach” for optimum performance of a concrete element when used in conjunction with our BasaFlex™ rebar.

BasaMesh™ is designed for secondary and temperature shrinkage reinforcement. BasaMesh™ can also work in conjunction with the BasaFlex™ rebar or BasaMix™ for a total reinforcement program.

Each of our products is specifically designed to extend the lifecycle of concrete products by eliminating “concrete spalling.” Spalling results from the steel reinforcing materials embedded within the concrete member rusting (contrary to popular belief, concrete is porous, and water can permeate into concrete). Rusting leads to the steel expanding and eventually causing the surrounding concrete to delaminate, crack, or even break off, resulting in potential structural failure. We believe that each of our products addresses this important need along with other key requirements in today’s construction market.

We believe that the following attributes of BasaFlex™ provide it with a competitive advantage in the marketplace:

- *BasaFlex™ never corrodes*: steel reinforcement products rust, leading to spalling and significant repair costs down the road;
- *BasaFlex™ is sustainable*: BasaFlex™ is made from Basalt rock, the most abundant rock found on Earth’s surface, and offers a longer product lifecycle than traditional steel (the lack of corrosion allows the life span of concrete products reinforced with BasaFlex to be significantly longer);
- *BasaFlex™ is “green”*: From mining, through production, to installation at the building site, BasaFlex™ has an exceptionally low carbon footprint when compared with that of steel; and
- *BasaFlex™ has a lower in-place cost*: the physical nature of our products relative to steel result in a lower net cost to the contractor once installed, such as: BasaFlex™ is one-quarter of the weight of equivalent sized steel, meaning 4 times the quantity of material can be delivered by the same truck (or container); all Basanite products can be loaded/unloaded and moved around the jobsite by hand – no expensive handling equipment is needed; less concrete is required as BasaFlex™ does not require the extra concrete cover needed when using steel; and Basanite products are safer and easier to use. We believe all these factors materially reduce the net in-place cost of concrete reinforcement.

BI leases a fully permitted, 36,900 square foot facility located in Pompano Beach, Florida equipped with five customized, Underwriters Laboratories approved, Pultrusion manufacturing machines for BasaFlex™ production, plus other composite manufacturing equipment. Each Pultrusion machine has up to two linear production lines (we use one or two lines per machine depending on rebar size – giving a maximum capacity of 10 manufacturing lines). To date, BI’s operations team has successfully optimized and scaled the capacity of our manufacturing plant to produce up to 25,000 linear feet of BasaFlex™ rebar per shift, per day, depending on the product mix. BI’s own fully equipped Test Lab is utilized to evaluate, validate, and verify each product’s performance attributes.

We believe that macroeconomic factors are pressuring the construction industry to consider the use of alternative reinforcement materials for the following reasons:

- the increasing need for global infrastructure repair;
- recent design trends towards increasing the lifespan of projects and materials;
- the global interest in promoting the use of sustainable products; and
- increasing consideration of both the long-term costs and environmental impacts of material selections.

We believe we are well positioned to benefit from this renewed focus, particularly in light of the interest of the U.S. government in funding infrastructure improvements and events such as the tragic collapse of a residential building in Surfside, Florida.

Impact of COVID-19

The novel coronavirus (“COVID-19”) that surfaced in December 2019 and spread throughout the world resulted in our company undergoing a 2-month operational shutdown early in the second quarter of 2020, with normal business operations resuming in June 2019. A second coronavirus related event occurred early in the fourth quarter of 2020, when two employees tested positive for COVID-19 and we became concerned they had potentially exposed the others. Out of an abundance of caution, we temporarily shut down operations for one week and entered a 10-day quarantine period (during this time certain key employees remained active, working from home). We strictly followed CDC guidelines for required quarantining periods and testing of all employees before re-opening. Notwithstanding this, since the beginning of the third quarter of 2020, COVID-19 has not materially impacted our operations or those of our third-party partners. However, the continued spread of variants of the virus could negatively impact the manufacturing, supply, distribution and sale of our products and our financial results in the future. The extent to which COVID-19 may impact the construction industry, our operations or the operations of our third-party partners will depend on future developments, which are uncertain and cannot be predicted with confidence.

Results of Operations

Revenue – The Company had \$15,549 of revenues as a result of sales for the three months ended June 30, 2021 compared to \$593 for the same period in the prior year and \$19,685 of revenues as a result of sales of finished goods sold for the six months ended June 30, 2021 compared to \$2,218 for the same period in the prior year. Revenues have been minimal as a result of the Company’s focus on the scaling of production and inventory.

Cost of goods sold – During the three and six months ended June 30, 2021, the Company had cost of sales of \$19,493 and \$20,809 compared to \$1,603 and \$2,222, respectively for the same period in the prior year.

For the three months ended June 30, 2021, the Company had a gross margin from operations in the amount of \$3,944 compared to a gross margin in the amount of \$1,010 in the same period of the prior year.

For the six months ended June 30, 2021, the Company had a gross margin from operations in the amount of \$1,124 compared to a gross margin in the amount of \$4 in the same period of the prior year.

The Company has small margins as it sold existing inventory while preparing for the scaling the manufacture of BasaFlex™.

Operating Expenses

Professional fees – During the three months ended June 30, 2021, professional fees were \$79,355 compared to \$53,016 for the same period in the prior year. During the six months ended June 30, 2021, professional fees were \$193,087 compared to \$162,874 for the same period in the prior year. The Company has increased fees as it relates to legal fees with the ongoing litigation, and new supplier and consulting agreements as it tries to secure relationships in the industry.

Payroll and payroll taxes – During the three months ended June 30, 2021, payroll and payroll taxes were \$300,683 compared to \$162,455 for the same period in the prior year. During the six months ended June 30, 2021, payroll and payroll taxes were \$554,798

compared to \$399,886 for the same period in the prior year. The company retained a total of 27 employees at the period end June 30, 2021 as compared to 9 employees at the close of the June 30, 2020 period.

Consulting – During the three months ended June 30, 2021, consulting fees were \$117,375 compared to \$81,875 in the prior year. During the six months ended June 30, 2021, consulting fees were \$230,625 compared to \$98,938 in the prior year. The increase is due to additional consulting agreements: our Chief Executive Officer is currently compensated as a consultant. The Company's previous Chief Executive Officer was compensated as an employee. The Company has also retained a capital markets consultant to assist in financial planning and fundraising.

General and administrative – During the three months ended June 30, 2021, general and administrative expenses were \$972,342 compared to \$283,034 for the same period in the prior year. During the six months ended June 30, 2021, general and administrative expenses were \$1,556,112 compared to \$500,987 for the same period in the prior year. The increase is largely due to an increase in stock-based compensation expense.

Other Income

Gain on settlement of legal contingency - During the three months ended June 30, 2021, the Company had a gain of \$320,037 compared to \$0 for the same period in the prior year. During the six months ended June 30, 2021, the Company had a gain of \$344,522 compared to \$0 for the same period in the prior year. The increase in the current year is largely due to the writing off of payables that had finalized with regards to legal matters in 2021.

Loan forgiveness - During the three months ended June 30, 2021, the Company had forgiveness of \$0 compared to \$0 for the same period in the prior year. During the six months ended June 30, 2021, the Company had forgiveness of \$124,143 compared to \$0 for the same period in the prior year. The balance increased due to the forgiveness from activities related to a note payable loan on May 21, 2021.

Miscellaneous Income - During the three months ended June 30, 2021, the Company had forgiveness of \$3,116 compared to \$0 for the same period in the prior year. During the six months ended June 30, 2021, the Company had forgiveness of \$3,116 compared to \$70,187 for the same period in the prior year. The balance increased due to a credit of materials damaged in transit from a primary vendor of the company.

Other Expenses

Loss on Extinguishment of Debt - During the three months ended June 30, 2021, the Company had a gain of \$3,056,892 compared to \$980 for the same period in the prior year. During the six months ended June 30, 2021, the Company had a loss of \$6,743,015 compared to \$980 for the same period in the prior year. For more information about the transaction leading to the extinguishment of debt refer to footnote 6 of the financial statements included in this Form 10-Q.

Interest expense - During the three months ended June 30, 2021, interest expense was \$133,211 compared to \$201,007 for the same period in the prior year. During the six months ended June 30, 2021, interest expense was \$205,874 compared to \$251,830 for the same period in the prior year. The decrease is due to the volume of lending committed to during the second quarter of 2021.

Liquidity and Capital Resources

Since inception, we have incurred net operating losses and negative cash flow. As of June 30, 2021, the Company had an accumulated deficit of \$38,634,066. The Company has incurred general and administrative expenses associated with our product development and compliance while concurrently setting up our manufacturing facility, beginning operations, and developing our business plan. The Company also continues to incur legal fees arising from ongoing activities due to fundraising. We expect operating losses to continue in the short term, and we require additional financing for continued support of our BasaFlex™ manufacturing business until we can generate sufficient revenues to achieve positive cash flow. These conditions raise substantial doubt about our ability to continue as a going concern.

We have historically satisfied our working capital requirements through the sale of restricted common stock and the issuance of warrants and promissory notes. We will continue our fundraising efforts until we have obtained positive cash flow to cover our expenses. No assurances can be given that we will be successful in raising capital at all or on terms acceptable to us, or at all, and no assurances can be given that even if we raise capital that we will be able to generate sufficient revenue to be cash flow positive.

While we have generated relatively little revenue to date, we continue to receive inquiries from a range of customers for our products, indicating what we believe is a significant level of market interest for BasaFlex™. Some of these inquiries would be for very large potential orders for new, multi-year construction projects. Based on our current limited manufacturing capacity (which we plan to begin to expand with the net proceeds of our private placement offering), these inquiries (if they lead to actual orders) would exceed our capability to deliver within the customer's requested timeframe, and largely because of this, there is no guarantee that orders will actually be received.

Notwithstanding proceeds from the sale of our common stock this year, current working capital and projected sales revenue are insufficient to maintain our current operations. In order to scale up operations and reach the level of sales revenue sufficient to provide positive cash flow, we require funding of both our expansion plan and our operating deficit through the period while we are scaling our manufacturing capability. We will attempt to raise this capital through third party financing, including potential private or public offerings of our securities as well as bridge or other loan arrangements. We cannot provide any assurances that required capital will be obtained at all or that the terms of such required financing may be acceptable to us. If we are unable to obtain adequate financing, we may reduce our operating activities to reduce our cash use until sufficient funding is secured. If we are unable to secure funding when needed, our results of operations may suffer, and our business may fail.

At June 30, 2021, the Company had cash of \$77,400 compared to \$259,505 at December 31, 2020. Subsequent to the quarter end, we closed a private placement on August 17, 2021 that generated net cash proceeds to us of approximately \$4,770,000.

Cash Flows

Net cash used in operating activities amounted to \$2,294,501 and \$1,040,380 for the six months ended June 30, 2021, and 2020, respectively. In the current period a loss was recorded related to the issuance of warrants at fair value issued as compensation for the extension of the maturity date of an amended note.

During the six months ended June 30, 2021, net cash used for investing activities were \$270,330 compared to \$59,377 for the same period in the prior year. The increase is largely due to costs associated with the customization, installation, and verification and validation testing of the first BasaMax™ prototype pultrusion machine.

During the six months ended June 30, 2021, we had \$2,382,726 net cash provided by financing activities compared to \$1,087,088 in the prior year. Issuance of common shares for \$331,776, and \$123,500 from warrants exercised; borrowing of \$579,741 from the issuance of convertible and short-term notes payable, including from related parties; less \$35,000 of a full repayment of convertible notes; and less \$8,485 of partial repayment of notes payable provided the net cash during the six months ended June 30, 2021. Further the Company borrowed \$1,091,194 from the issuance of notes payable, including from related parties. Additionally, the Company borrowed \$300,000 in notes payable which was later exchanged for 6,000,000 five-year warrants on May 21, 2021.

We do not believe that our cash on hand as of June 30, 2021, will be sufficient to fund our current working capital requirements as we try to develop our fiber reinforced polymer rebar manufacturing business. We entered into promissory notes and issued restricted common shares in an effort to raise additional working capital. Additionally, the Company entered into an agreement with Aegis Capital, LLC to secure working capital for equipment and manufacturing improvements. See Note 13 – Subsequent Events in the accompanying condensed consolidated financial statements for more details on recent financing activity. We will continue working towards securing more working capital. However, there is no assurance that we will be successful in securing working capital or, if we are, that the terms will be beneficial to our shareholders.

Risk Factors

Investing in our securities is speculative and 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, 2020 filed with the SEC on March 31, 2021, before deciding whether to invest in the Company. Additional risks and uncertainties not presently known to us, or that we currently deem immaterial, may also impair our business operations or our financial condition.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable to smaller reporting companies.

ITEM 4. CONTROLS AND PROCEDURES

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

The Company’s management, under the supervision and with the participation of the Company's Interim Chief Executive Officer and Controller, 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) through June 30, 2021.

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During our assessment of the effectiveness of internal control over financial reporting as of June 30, 2021 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. As a result of these material weaknesses, our Chief Executive Officer and Controller concluded that our internal control over financial reporting was not effective as of June 30, 2021.

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.

We are committed to maintaining a strong internal control environment and implementing measures designed to help ensure that the material weaknesses described above are remediated as soon as possible. We believe we will have the opportunity to remediate these weaknesses when adequate funding is secured. We will consider the material weaknesses remediated after the applicable controls operate for a sufficient period of time, and management has concluded, through testing, that the controls are operating effectively.

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.

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PART II. – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Legal Matters

In the ordinary course of operations, the Company may become a party to legal proceedings. Based upon information currently available, management believes that such legal proceedings, individually or in the aggregate, will not have a material adverse effect on the Company's business, financial condition, cash flows, or results of operations except as provided below.

CalSTRS Judgement

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 previous office space) alerting that the Company was in default of its lease for failure to pay monthly rent for the office space located at 2400 East Commercial Boulevard, Suite 612, Fort Lauderdale, FL 33304. The letter demanded immediate payment of \$41,937 for rent past due as of April 1, 2014. The Company had indicated in writing its intention to cooperate with CalSTRS while trying to resolve the matter. On February 11, 2015, CalSTRS, 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. 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 and the Company has reserved the entire judgement of \$388,866. The total amount is accruing interest at the statutory rate of 4.75%. The accrued interest on the judgement on June 30, 2021, and December 31, 2020, is \$114,420 and \$105,260, respectively.

On or about August 28, 2018, Raw Energy Materials Corp. filed an action for declaratory relief and breach of contract in Broward County, Florida, in the 17th Judicial Circuit Court, titled Raw Energy Materials Corp. v. Rockstar Acquisitions, LLC, Paymeon, Inc. (now Basanite, Inc.), and Basalt America, LLC, CASE NO.: CACE 18-020596. An Amended Complaint was filed on or about December 19, 2018, adding our subsidiary Basanite Industries, LLC as a defendant, as well as an alleged claim under Florida Statute Section 501.201 and for injunction. The Company filed and has pending an amended counterclaim for breach of contract, fraud, and civil conspiracy against Raw Energy affiliates, including Donald R. Smith, Elina Jenkins, Global Energy Sciences, LLC, YellowTurtle Design, LLC (“YellowTurtle”), as well as former business affiliates/associates to Don Smith, Richard Laurin and Robert Ludwig. The nature of the dispute is based on representations (or misrepresentations) the Company alleges were made to it, as well as breaches of the terms of a licensing agreement, related consulting and other agreements, and failures and refusals of plaintiff and Don Smith related entities to deliver equipment/machinery and goods paid for by the Company or its affiliates. As it became apparent that the subject license agreement was effectively worthless and moot to the Company, and the purported and promised trade secrets and intellectual property were essentially non-existent, the Company and Plaintiff agree to an order terminating that license agreement, which resulted in the agreed order dated January 28, 2019.

A mediation was scheduled on March 4, 2021, which resulted in an impasse. Negotiations were continued, and on April 14, 2021, Basanite, Inc. entered into a settlement and release agreement with RAW, LLC (“RAW”), Donald R. Smith, YellowTurtle and Elina B. Jenkins among others. The settlement agreement provides for, among other things, the following: (i) a dismissal of the legal action as to the above-referenced parties and their owners, agents, affiliated companies, successors and assigns, having Case Number 18-020596 (21) in the Seventeenth Judicial Circuit Court in and for Broward County, Florida (the “Litigation”) upon the Company’s timely purchase of the shares as set forth in the next paragraph below and (ii) mutual general releases for the above-referenced parties relating to the Litigation upon the Company’s timely purchase of the shares as set forth in the next paragraph below.

Simultaneously with the execution of the settlement agreement settling the litigation in full and release of all claims among the parties, the Company entered into stock purchase agreements with both RAW and YellowTurtle to repurchase the 10,000,000 shares of the Company’s common stock held by RAW for \$1,212,121 and the 6,500,000 shares of the Company’s common stock held by YellowTurtle for \$787,879, or an aggregate purchase price of \$2,000,000. On May 17, 2021, the settlement shares were purchased by a group of related and non-related investors which resulted in the closing of this legal action. As a result of the settlement, the Company recognized a gain on settlement of \$320,037 from the derecognition of previously accrued contingent legal liabilities.

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

ITEM 1A. RISK FACTORS

Not applicable to smaller reporting companies.

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

On February 12, 2021 (the “Issuance Date”), the Company entered into an Amended and Restated 20% Secured Convertible Promissory Note (the “Restated Promissory Note”) with certain accredited investors (the “Holders”) for an aggregate of \$1,610,004.54 in principal amount which cancelled and restated in its entirety the 20% Secured Convertible Promissory Note entered into by the Company and the same Holders on August 3, 2020 and is more fully described in Amendment No. 1 to the Current Report on Form 8-K filed with the Securities and Exchange Commission on August 10, 2020 (the “Original Promissory Note”). On the Issuance Date, the Holders advanced the Company an additional \$500,000 pursuant to the terms and conditions of the Restated Promissory Note (the “Additional Advance”). Additionally, the accrued but unpaid interest through February 11, 2021 under the Original Promissory Note in the amount of \$110,004.54 was added to the principal amount of the Restated Promissory Note. The Restated Promissory Note has a maturity date of May 12, 2021 (the “Maturity Date”) and will continue to have an interest rate of 20% per annum. Interest will be payable in cash at the Maturity Date. If, prior to the Maturity Date, the Company consummates an equity financing, revenue sharing transaction, joint venture, or other similar type transaction (including any combination and/or multiple transactions thereof) with total cash proceeds to the Company of not less than \$3,000,000, the Agent (as defined below), at its sole discretion and by providing written notice to the Company, may elect to extend the Maturity Date of this Note by an additional six months such that the Maturity Date shall then be November 12, 2021. In connection with the issuance of the Restated Promissory Note and in consideration of the Additional Advance and the extension of the Maturity Date under the Original Promissory Note, on February 12, 2021 the Company issued to the Holders, on a pro rata basis, Common Stock Warrants to purchase up to an aggregate of 15,000,000 shares of the Company’s Common Stock at a per share exercise

price of \$0.20 (the “Warrants”). Pursuant to the terms of the Restated Promissory Note, The Richard A. LoRicco Sr. and Lucille M. LoRicco Irrevocable Insurance Trust DTD 4/28/95, Louis Demaio as Trustee will serve as the agent for the benefit of the Holders (the “Agent”). The Agent is a trust created by Richard A. LoRicco Sr. and Lucille M. LoRicco, who were the parents of Ronald J. LoRicco (“Mr. LoRicco”), one of the members of the Company’s Board of Directors (the “Board”) and is maintained by an independent trustee. The Agent is the Holder of \$1,207,503.40 of the principal amount of the Restated Promissory Note and the Holder of 11,250,000 of the Warrants. The disinterested members of the Board approved the terms of the Restated Promissory Note. Mr. LoRicco does not have voting or investment control of or power over the Agent but is an anticipated, partial beneficiary of the Agent.

On April 5, 2021, the Company issued the 127,128 restricted common shares to the investor in exchange for the funds received and recorded as a subscription liability of \$23,900 on March 31, 2021.

On April 16, 2021, upon the conversion of a note \$300,000 into 3,000,000 common stock warrants additional paid-in capital was generated in the amount of \$300,000 for the original principal of the note.

On May 21, 2021, upon the conversion of a \$300,000 note into 6,000,000 common stock warrants additional paid-in capital was generated in the amount of \$300,000 for the original principal of the note.

On June 10, 2021, 600,000 shares were issued per the two consulting agreements entered on July 9, 2020, and October 16, 2020, for fundraising services.

On June 10, 2021, 300,000 shares were issued per the consulting agreement entered on May 17, 2021, for investor relations services.

On June 10, 2021, the Company issued 45,455 restricted common shares to an investor in exchange for \$10,000.

On June 10, 2021, the Company issued 47,619 restricted common shares to an investor in exchange for \$10,000.

On June 10, 2021, the Company issued 36,372 restricted common shares to an investor in exchange for \$14,545.

On June 10, 2021, the Company issued 72,744 restricted common shares to an investor in exchange for \$29,091.

On June 10, 2021, the Company issued 60,620 restricted common shares to an investor in exchange for \$24,242.

On June 10, 2021, the Company issued 96,992 restricted common shares to an investor in exchange for \$38,788.

On June 10, 2021, the Company issued 30,310 restricted common shares to an investor in exchange for \$12,121.

On June 10, 2021, the Company issued 60,620 restricted common shares to an investor in exchange for \$24,242.

On June 10, 2021, the Company issued 15,155 restricted common shares to an investor in exchange for \$6,061.

On June 10, 2021, the Company issued 24,248 restricted common shares to an investor in exchange for \$9,697.

On June 10, 2021, the Company issued 12,124 restricted common shares to an investor in exchange for \$4,848.

On June 10, 2021, the Company issued 30,310 restricted common shares to an investor in exchange for \$12,121.

On June 10, 2021, the Company issued 30,310 restricted common shares to an investor in exchange for \$12,121.

On June 24, 2021, the Company issued 45,662 restricted common shares to an investor in exchange for \$10,000.

All of the shares issued and sold described above were not registered under the Securities Act of 1933, as amended (the “Securities Act”), or the securities laws of any state, and were offered and sold in reliance on the exemption from registration under the Securities Act, provided by Section 4(a)(2) and Regulation D (Rule 506) under the Securities Act. Each investor represented that it was an accredited investor (as defined by Rule 501 under the Securities Act).

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURE

Not applicable.

ITEM 5. OTHER INFORMATION

None.

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ITEM 6. EXHIBITS

Exhibit No.	Exhibit Description	Incorporated by Reference			Filed or Furnished Herewith
		Form	Date Filed	Number	
4.1	Form of Warrant A (relating to August 2021 private placement offering)				Filed
4.2	Form of Warrant B (relating to August 2021 private placement offering)				Filed
10.1	Form of Securities Purchase Agreement (relating to August 2021 private placement offering)				Filed
10.2	Placement Agent Agreement, dated August 17, 2021, between the Company and Aegis Capital Corp. (relating to August 2021 private placement offering)				Filed
31.1	Certification of Interim 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 Interim 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.INS	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)				Filed
101.SCH	Inline XBRL Taxonomy Extension Schema Document				Filed
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document				Filed
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document				Filed
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document				Filed
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document				Filed
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)				Filed

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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.

Date: August 23, 2021

Basanite, Inc.

By: /s/ Simon R. Kay
Simon R. Kay
Company's Interim Chief Executive
Officer and Principal Financial Officer

/s/ Simon R. Kay
Simon R. Kay
Company's Interim Chief Executive
Officer and Principal Financial Officer

NEITHER THIS SECURITY NOR THE SECURITIES FOR WHICH THIS SECURITY IS EXERCISABLE HAVE BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS. THIS SECURITY AND THE SECURITIES ISSUABLE UPON EXERCISE OF THIS SECURITY MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT OR OTHER LOAN SECURED BY SUCH SECURITIES.

**COMMON STOCK PURCHASE WARRANT
(Warrant A)**

BASANITE, INC.

Warrant Shares: _____

Issue Date: August 17, 2021

Initial Exercise Date: August 17, 2021

THIS COMMON STOCK PURCHASE WARRANT (the "Warrant") certifies that, for value received, _____ or its assigns (the "Holder") is entitled, upon the terms and subject to the limitations on exercise and the conditions hereinafter set forth, at any time on or after the date hereof (the "Initial Exercise Date") and on or prior to 5:00 p.m. (New York City time) on August 17, 2026 (the "Termination Date"), but not thereafter, to subscribe for and purchase from Basanite, Inc., a Nevada corporation (the "Company"), up to _____ shares (as subject to adjustment hereunder, the "Warrant Shares") of Common Stock. The purchase price of one share of Common Stock under this Warrant shall be equal to the Exercise Price, as defined in Section 2(b). This Warrant shall initially be issued in certificated form in the name of the Holder.

Section 1. Definitions. Capitalized terms used and not otherwise defined herein shall have the meanings set forth in that certain Securities Purchase Agreement (the "Purchase Agreement"), dated August 17, 2021, among the Company and the purchasers signatory thereto.

Section 2. Exercise.

a) Exercise of Warrant. Exercise of the purchase rights represented by this Warrant may be made, in whole or in part, at any time or times on or after the Initial Exercise Date and on or before the Termination Date by delivery to the Company of a duly executed facsimile copy or PDF copy submitted by e-mail (or e-mail attachment) of the Notice of Exercise in the form annexed hereto (the "Notice of Exercise"). Within the earlier of (i) two (2) Trading Days and (ii) the number of Trading Days comprising the Standard Settlement Period (as defined in Section 2(c)(i) herein) following the date of exercise as aforesaid, the Holder shall deliver the aggregate Exercise Price for the shares specified in the applicable Notice of Exercise by wire transfer or cashier's check drawn on a United States bank. No ink-original Notice of Exercise shall be required, nor shall any medallion guarantee (or other type of guarantee or notarization) of any Notice of Exercise be required. Notwithstanding anything herein to the contrary, the Holder shall not be required to physically surrender this Warrant to the Company until the Holder has purchased all of the Warrant Shares available hereunder and the Warrant has been exercised in full, in which case, the Holder shall surrender this Warrant to the Company for cancellation within three (3) Trading Days of the date on which the final Notice of Exercise is delivered to the Company. Partial exercises of this Warrant resulting in purchases of a portion of the total number of Warrant Shares available hereunder shall have the effect of lowering the outstanding number of Warrant Shares purchasable hereunder in an amount equal to the applicable number of Warrant Shares purchased. The Holder and the Company shall maintain records showing the number of Warrant

Shares purchased and the date of such purchases. The Company shall deliver any objection to any Notice of Exercise within one (1) Business Day of receipt of such notice. **The Holder and any assignee, by acceptance of this Warrant, acknowledge and agree that, by reason of the provisions of this paragraph, following the exercise of a portion of the Warrant Shares**

hereunder, the number of Warrant Shares available for exercise hereunder at any given time may be less than the amount stated on the face hereof.

b) Exercise Price. The exercise price per share of Common Stock under this Warrant shall be **\$0.33**, subject to adjustment hereunder (the "Exercise Price").

c) Cashless Exercise. If at the time of exercise hereof there is no effective registration statement registering, or the prospectus contained therein is not available for, the resale of the Warrant Shares by the Holder, then this Warrant may also be exercised, in whole or in part, at such time by means of a "cashless exercise" in which the Holder shall be entitled to receive a number of Warrant Shares equal to the quotient obtained by dividing [(A-B) (X)] by (A), where:

(A) = as applicable: (i) the VWAP on the Trading Day immediately preceding the date of the applicable Notice of Exercise if such Notice of Exercise is (1) both executed and delivered pursuant to Section 2(a) hereof on a day that is not a Trading Day or (2) both executed and delivered pursuant to Section 2(a) hereof on a Trading Day prior to the opening of "regular trading hours" (as defined in Rule 600(b)(68) of Regulation NMS promulgated under the federal securities laws) on such Trading Day, (ii) at the option of the Holder, either (y) the VWAP on the Trading Day immediately preceding the date of the applicable Notice of Exercise or (z) the Bid Price of the Common Stock on the principal Trading Market as reported by Bloomberg L.P. as of the time of the Holder's execution of the applicable Notice of Exercise if such Notice of Exercise is executed during "regular trading hours" on a Trading Day and is delivered within two (2) hours thereafter (including until two (2) hours after the close of "regular trading hours" on a Trading Day) pursuant to Section 2(a) hereof or (iii) the VWAP on the date of the applicable Notice of Exercise if the date of such Notice of Exercise is a Trading Day and such Notice of Exercise is both executed and delivered pursuant to Section 2(a) hereof after the close of "regular trading hours" on such Trading Day;

(B) = the Exercise Price of this Warrant, as adjusted hereunder; and

(X) = the number of Warrant Shares that would be issuable upon exercise of this Warrant in accordance with the terms of this Warrant if such exercise were by means of a cash exercise rather than a cashless exercise.

If Warrant Shares are issued in such a cashless exercise, the parties acknowledge and agree that in accordance with Section 3(a)(9) of the Securities Act, the Warrant Shares shall take on the registered characteristics of the Warrants being exercised. The Company agrees not to take any position contrary to this Section 2(c).

(d) Mechanics of Exercise

i. Delivery of Warrant Shares Upon Exercise. The Company shall cause its Transfer Agent to deposit the Warrant Shares and cause the Transfer Agent to credit the Warrant Shares to the account of the Holder's or its designee's balance account with The Depository Trust Company or its nominee ("DTC") or another established clearing corporation performing similar functions) through its Deposit or Withdrawal at Custodian system ("DWAC") if the Company is then a participant in such system and either (A) there is an effective registration statement permitting the issuance of the Warrant Shares to or resale of the Warrant Shares by the Holder or (B) the Warrant

Shares are eligible for resale by the Holder without volume or manner-of-sale limitations pursuant to Rule 144, and otherwise by physical delivery of the Warrant Shares, registered in the Company's share register in the name of the Holder or its designee, for the number of Warrant Shares to which the Holder is entitled pursuant to such exercise to the address specified by the Holder in the Notice of Exercise by the date that is the earlier of (i) two (2) Trading Days and (ii) the number of Trading Days comprising the Standard Settlement Period after the delivery to the Company of the Notice of Exercise (such date, the "Warrant Share Delivery Date"); provided that the Warrant Share Delivery Date shall not be deemed to have occurred until such time that the Company has received the aggregate Exercise Price. Upon delivery of the Notice of Exercise and the Exercise Price, the Holder shall be deemed for all corporate purposes to have become the holder of record of the Warrant Shares with respect to which this Warrant has been exercised, irrespective of

the date of delivery of the Warrant Shares. Notwithstanding anything herein to the contrary, upon delivery of the Notice of Exercise the Holder shall be deemed for purposes of Regulation SHO under the Exchange Act to have become the holder of the Warrant Shares irrespective of the date of delivery of the Warrant Shares. If the Company fails for any reason to deliver to the Holder the Warrant Shares subject to a Notice of Exercise by the Warrant Share Delivery Date, the Company shall pay to the Holder, in cash, as liquidated damages and not as a penalty, for each \$1,000 of Warrant Shares subject to such exercise (based on the VWAP of the Common Stock on the date of the applicable Notice of Exercise), \$10 per Trading Day (increasing to \$20 per Trading Day on the fifth Trading Day after such liquidated damages begin to accrue) for each Trading Day after such Warrant Share Delivery Date until such Warrant Shares are delivered or Holder rescinds such exercise. The Company agrees to maintain a registrar (which can be the depository) that is a participant in the FAST program so long as this Warrant remains outstanding and exercisable. “Standard Settlement Period” means the standard settlement period, expressed in a number of Trading Days, on the Company’s primary Trading Market with respect to the Common Stock as in effect on the date of delivery of the Notice of Exercise.

“VWAP” means, for any date, the price determined by the first of the following clauses that applies: (a) if the Common Stock is then listed or quoted on a Trading Market, the daily volume weighted average price of the Common Stock for such date (or the nearest preceding date) on the Trading Market on which the Common Stock is then listed or quoted as reported by Bloomberg L.P. (based on a Trading Day from 9:30 a.m. (New York City time) to 4:02 p.m. (New York City time)), (b) if OTCQB or OTCQX is not a Trading Market, the volume weighted average price of the Common Stock for such date (or the nearest preceding date) on OTCQB or OTCQX as applicable, (c) if the Common Stock is not then listed or quoted for trading on OTCQB or OTCQX and if prices for the Common Stock are then reported in The Pink Open Market (or a similar organization or agency succeeding to its functions of reporting prices), the most recent bid price per Common Stock so reported, or (d) in all other cases, the fair market value of an Common Stock as determined in good faith by the Board of Directors of the Company.

ii. Delivery of New Warrants Upon Exercise. If this Warrant shall have been exercised in part, the Company shall, at the request of a Holder and upon surrender of this Warrant, at the time of delivery of the Warrant Shares, deliver to the Holder a new Warrant evidencing the rights of the Holder to exercise the unexercised Warrant Shares called for by this Warrant, which new Warrant shall in all other respects be identical with this Warrant.

iii. Rescission Rights. If the Company fails to cause the Transfer Agent to transmit to the Holder the Warrant Shares pursuant to Section 2(c)(i) by the Warrant Share Delivery Date, then the Holder will have the right to rescind such exercise; provided, however, that the Holder shall be required to return any Warrant Shares subject to any such rescinded exercise notice concurrently with the return to

Holder of the aggregate Exercise Price paid to the Company for such Warrant Shares and the restoration of Holder’s right to acquire such Warrant Shares pursuant to this Warrant (including, issuance of a replacement warrant certificate evidencing such restored right).

iv. Compensation for Buy-In on Failure to Timely Deliver Warrant Shares Upon Exercise. In addition to any other rights available to the Holder, if the Company fails to cause the Transfer Agent to transmit to the Holder the Warrant Shares in accordance with the provisions of Section 2(c)(i) above pursuant to an exercise on or before the Warrant Shares Delivery Date, and if after such date the Holder is required by its broker to purchase (in an open market transaction or otherwise) or the Holder’s brokerage firm otherwise purchases, Common Stock to deliver in satisfaction of a sale by the Holder of the Warrant Shares which the Holder anticipated receiving upon such exercise (a “Buy-In”), then the Company shall (A) pay in cash to the Holder the amount, if any, by which (x) the Holder’s total purchase price (including brokerage commissions, if any) for the Shares so purchased exceeds (y) the amount obtained by multiplying (1) the number of Warrant Shares that the Company was required to deliver to the Holder in connection with the exercise at issue times (2) the price at which the sell order giving rise to such purchase obligation was executed, and (B) at the option of the Holder, either reinstate the portion of the Warrant and equivalent number of Warrant Shares for which such exercise was not honored (in which case such exercise shall be

deemed rescinded) or deliver to the Holder the number of Common Stock that would have been issued had the Company timely complied with its exercise and delivery obligations hereunder. For example, if the Holder purchases Common Stock having a total purchase price of \$11,000 to cover a Buy-In with respect to an attempted exercise of Warrants with an aggregate sale price giving rise to such purchase obligation of \$10,000, under clause (A) of the immediately preceding sentence the Company shall be required to pay the Holder \$1,000. The Holder shall provide the Company written notice indicating the amounts payable to the Holder in respect of the Buy-In and, upon request of the Company, evidence of the amount of such loss. Nothing herein shall limit a Holder's right to pursue any other remedies available to it hereunder, at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief with respect to the Company's failure to timely deliver Common Stock upon exercise of the Warrant as required pursuant to the terms hereof. Notwithstanding anything contained herein to the contrary, the Buy-In Amount shall not exceed \$100,000 in the aggregate.

v. No Fractional Shares or Scrip. No fractional shares or scrip representing fractional shares shall be issued upon the exercise of this Warrant.

vi. Charges, Taxes and Expenses. Issuance of Warrant Shares shall be made without charge to the Holder for any issue or transfer tax or other incidental expense in respect of the issuance of such Warrant Shares, all of which taxes and expenses shall be paid by the Company, and such Warrant Shares shall be issued in the name of the Holder or in such name or names as may be directed by the Holder; provided, however, that in the event that Warrant Shares are to be issued in a name other than the name of the Holder, this Warrant when surrendered for exercise shall be accompanied by the Assignment Form attached hereto duly executed by the Holder and the Company may require, as a condition thereto, the payment of a sum sufficient to reimburse it for any transfer tax incidental thereto. The Company shall pay all Depository fees required for same-day processing of any Notice of Exercise and all fees to the Depository Trust Company (or another established clearing corporation performing similar functions) required for same-day electronic delivery of the Warrant Shares.

vii. Closing of Books. The Company will not close its stockholder books or records in any manner which prevents the timely exercise of this Warrant, pursuant to the terms hereof.

d) Holder's Exercise Limitations. The Company shall not effect any exercise of this Warrant, and a Holder shall not have the right to exercise any portion of this Warrant, pursuant to Section 2 or otherwise, to the extent that after giving effect to such issuance after exercise as set forth on the applicable Notice of Exercise, the Holder (together with the Holder's Affiliates, and any other Persons acting as a group together with the Holder or any of the Holder's Affiliates (such Persons, "Attribution Parties")), would beneficially own in excess of the Beneficial Ownership Limitation (as defined below). For purposes of the foregoing sentence, the number of shares of Common Stock beneficially owned by the Holder and its Affiliates and Attribution Parties shall include the number of Common Stock held by the Holder and its Attribution Parties plus the number of Common Stock underlying such Warrant Shares issuable upon exercise of this Warrant with respect to which such determination is being made, but shall exclude the number of shares of Common Stock underlying Warrant Shares which would be issuable upon (i) exercise of the remaining, nonexercised portion of this Warrant beneficially owned by the Holder or any of its Affiliates or Attribution Parties and (ii) exercise or conversion of the unexercised or nonconverted portion of any other securities of the Company (including, without limitation, any other Common Stock Equivalents) subject to a limitation on conversion or exercise analogous to the limitation contained herein beneficially owned by the Holder or any of its Affiliates or Attribution Parties. Except as set forth in the preceding sentence, for purposes of this Section 2(d), beneficial ownership shall be calculated in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder, it being acknowledged by the Holder that the Company is not representing to the Holder that such calculation is in compliance with Section 13(d) of the Exchange Act and the Holder is solely responsible for any schedules required to be filed in accordance therewith. To the extent that the limitation contained in this Section 2(d) applies, the determination of whether this Warrant is exercisable (in relation to other securities owned by the Holder together with any Affiliates and Attribution Parties) and of which portion of this Warrant is exercisable shall be in the sole discretion of the Holder, and the submission of a Notice of Exercise shall be deemed to be the Holder's determination of whether this Warrant is exercisable (in relation to other securities owned by the Holder together with any Affiliates and Attribution Parties) and of which portion of this Warrant is exercisable, in each case subject to the Beneficial Ownership Limitation, and the Company shall have no obligation to verify or confirm the accuracy of such determination. In addition, a determination as to any group status as contemplated above shall be determined in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder. For purposes of this Section 2(d), in determining the number of outstanding Common Stock, a Holder may rely on the number

of outstanding Common Stock as reflected in (A) the Company's most recent periodic or annual report filed with the Commission, as the case may be, (B) a more recent public announcement by the Company or (C) a more recent written notice by the Company or the Transfer Agent setting forth the number of shares of Common Stock outstanding. Upon the written or oral request of a Holder, the Company shall within one Trading Day confirm orally and in writing to the Holder the number of Common Stock then outstanding. In any case, the number of outstanding Common Stock shall be determined after giving effect to the conversion or exercise of securities of the Company, including this Warrant, by the Holder or its Affiliates or Attribution Parties since the date as of which such number of outstanding Common Stock was reported. The "Beneficial Ownership Limitation" shall be [4.99/9.99%] of the number of shares of Common Stock outstanding immediately after giving effect to the issuance of Common Stock underlying the Warrant Shares issuable upon exercise of this Warrant. The Holder, upon notice to the Company, may increase or decrease the Beneficial Ownership Limitation provisions of this Section 2(d), provided that the Beneficial Ownership Limitation in no event exceeds 9.99% of the number of Common Stock outstanding immediately after giving effect to the issuance of Common Stock upon exercise of this Warrant held by the Holder and the provisions of this Section 2(d) shall continue to apply. Any increase in the Beneficial Ownership Limitation will not be effective until the 61st day after such notice is delivered to the Company. The provisions of this paragraph shall be construed and implemented in a manner otherwise than in strict conformity with the terms of this Section 2(d) to correct this paragraph (or any portion hereof) which may be defective or inconsistent with the intended Beneficial Ownership Limitation herein contained or to make changes or supplements necessary or desirable to properly give effect to such limitation. The limitations contained in this paragraph shall apply to a successor holder of this Warrant.

Section 3. Certain Adjustments.

a) Share Dividends and Splits. If the Company, at any time while this Warrant is outstanding: (i) pays a share dividend or otherwise makes a distribution or distributions on its Common Stock or any other equity or equity equivalent securities payable in Common Stock (which, for avoidance of doubt, shall not include any Common Stock issued by the Company upon exercise of this Warrant), as applicable, (ii) subdivides outstanding Common Stock into a larger number of shares or Common Stock, as applicable, (iii) combines (including by way of reverse share split) outstanding Common Stock into a smaller number of

shares, as applicable, or (iv) issues by reclassification Common Stock or any shares of capital stock of the Company, as applicable, then in each case the Exercise Price shall be multiplied by a fraction of which the numerator shall be the number of Common Stock (excluding treasury shares, if any) outstanding immediately before such event and of which the denominator shall be the number of shares of Common Stock outstanding immediately after such event, and the number of shares issuable upon exercise of this Warrant shall be proportionately adjusted such that the aggregate Exercise Price of this Warrant shall remain unchanged. Any adjustment made pursuant to this Section 3(a) shall become effective immediately after the record date for the determination of shareholders entitled to receive such dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision, combination or re-classification. For the purposes of clarification, the Exercise Price of this Warrant will not be adjusted in the event that the Company or any Subsidiary thereof, as applicable, sells or grants any option to purchase, or sell or grant any right to reprice, or otherwise dispose of or issue (or announce any offer, sale, grant or any option to purchase or other disposition) any Common Stock or Common stock Equivalents, at an effective price per share less than the Exercise Price then in effect.

b) Subsequent Rights Offerings. In addition to any adjustments pursuant to Section 3(a) above, if at any time the Company grants, issues or sells any Common Stock Equivalents or rights to purchase shares, warrants, securities or other property pro rata to the record holders of any class of Common Stock (the "Purchase Rights"), then the Holder will be entitled to acquire, upon the terms applicable to such Purchase Rights, the aggregate Purchase Rights which the Holder could have acquired if the Holder had held the number of shares of Common Stock acquirable upon complete exercise of this Warrant (without regard to any limitations on exercise hereof, including without limitation, the Beneficial Ownership Limitation) immediately before the date on which a record is taken for the grant, issuance or sale of such Purchase Rights, or, if no such record is taken, the date as of which the record holders of Common Stock, as applicable, are to be determined for the grant, issue or sale of such Purchase Rights (provided, however, to the extent that the Holder's right to participate in any such Purchase Right would result in the Holder exceeding the Beneficial Ownership Limitation, then the Holder shall not be entitled to participate in such Purchase Right to such extent (or beneficial ownership of such shares of Common Stock as a result of such Purchase Right to such extent) and such Purchase Right to such extent shall be held in abeyance for the Holder until such time, if ever, as its right thereto would not result in the Holder exceeding the Beneficial Ownership Limitation).

c) Pro Rata Distributions. During such time as this Warrant is outstanding, if the Company shall declare or make any dividend or other distribution of its assets (or rights to acquire its assets) to holders of Common Stock, by way of return of capital or otherwise (including, without limitation, any distribution of cash, shares or other securities, property or options by way of a dividend, spin off, reclassification, corporate rearrangement, scheme of arrangement or other similar transaction) (a “Distribution”), at any time after the issuance of this Warrant, then, in each such case, the Holder shall be entitled to participate in such Distribution to the same extent that the Holder would have participated therein if the Holder had held the number of shares of Common Stock acquirable upon complete exercise of this Warrant (without regard to any limitations on exercise hereof, including without limitation, the Beneficial Ownership Limitation) immediately before the date of which a record is taken for such Distribution, or, if no such record is taken, the date as of which the record holders of Common Stock, as applicable, are to be determined for the participation in such Distribution (provided, however, to the extent that the Holder's right to participate in any such Distribution would result in the Holder exceeding the Beneficial Ownership Limitation, then the Holder shall not be entitled to participate in such Distribution to such extent (or in the beneficial ownership of any shares of Common Stock as a result of such Distribution to such extent) and the portion of such Distribution shall be held in abeyance for the benefit of the Holder until such time, if ever, as its right thereto would not result in the Holder exceeding the Beneficial Ownership Limitation).

d) Fundamental Transactions. If, at any time while this Warrant is outstanding, (i) the Company, directly or indirectly, in one or more related transactions effects any merger or consolidation of the Company with or into another Person, (ii) the Company (and all of its Subsidiaries, taken as a whole), directly or indirectly, effects any sale, lease, license, assignment, transfer, conveyance or other disposition of all or substantially all of its assets in one or a series of related transactions, (iii) any, direct or indirect, purchase offer, tender offer or exchange offer (whether by the Company or another Person) is completed pursuant to which holders of Common Stock are permitted to sell, tender or exchange their shares for other securities,

cash or property and has been accepted by the holders of 50% or more of the outstanding Common Stock, (iv) the Company, directly or indirectly, in one or more related transactions effects any reclassification, reorganization or recapitalization of the Common Stock or any compulsory share exchange pursuant to which the Common Stock is effectively converted into or exchanged for other securities, cash or property, or (v) the Company, directly or indirectly, in one or more related transactions consummates a stock or share purchase agreement or other business combination (including, without limitation, a reorganization, recapitalization, spin-off, merger or scheme of arrangement) with another Person or group of Persons whereby such other Person or group acquires more than 50% of the outstanding Common Stock (not including any Common Stock held by the other Person or other Persons making or party to, or associated or affiliated with the other Persons making or party to, such stock or share purchase agreement or other business combination) (each a “Fundamental Transaction”), then, upon any subsequent exercise of this Warrant, the Holder shall have the right to receive, for each Warrant Share underlying the Warrant Shares that would have been issuable upon such exercise immediately prior to the occurrence of such Fundamental Transaction, at the option of the Holder (without regard to any limitation in Section 2(d) on the exercise of this Warrant), the number of shares of Common Stock of the successor or acquiring corporation or of the Company, if it is the surviving corporation, and any additional consideration (the “Alternate Consideration”) receivable as a result of such Fundamental Transaction by a holder of the number of shares of Common Stock for which this Warrant is exercisable immediately prior to such Fundamental Transaction (without regard to any limitation in Section 2(d) on the exercise of this Warrant). If holders of Common Stock are given any choice as to the securities, cash or property to be received in a Fundamental Transaction, then the Holder shall be given the same choice as to the Alternate Consideration it receives upon any exercise of this Warrant following such Fundamental Transaction. The Company shall cause any successor entity in a Fundamental Transaction in which the Company is not the survivor (the “Successor Entity”) to assume in writing all of the obligations of the Company under this Warrant and the other Transaction Documents in accordance with the provisions of this Section 3(e) pursuant to written agreements in form and substance reasonably satisfactory to the Holder and approved by the Holder (without unreasonable delay) prior to such Fundamental Transaction and shall, at the option of the Holder, deliver to the Holder in exchange for this Warrant a security of the Successor Entity evidenced by a written instrument substantially similar in form and substance to this Warrant which is exercisable for a corresponding number of shares of capital stock of such Successor Entity (or its parent entity) equivalent to the Common Stock acquirable and receivable upon exercise of this Warrant (without regard to any limitations on the exercise of this Warrant) prior to such Fundamental Transaction, and which required no additional consideration upon exercise, and which is reasonably satisfactory in form and substance to the Holder. Upon the occurrence of any such Fundamental Transaction, the Successor Entity shall succeed to, and be substituted for (so that from and after the date of such Fundamental Transaction, the provisions of this Warrant and the other Transaction Documents referring to the “Company” shall refer instead to the Successor Entity), and may exercise every right and power of the Company and shall assume all of the obligations of the Company under this Warrant and the other Transaction Documents with the same effect as if such Successor Entity had been named as the Company herein.

e) Most Favored Nation. While this Warrant is outstanding, if the Company sells or issues any warrants to purchase Common Stock ("Subsequent Warrants") which contain material terms that are more favorable to the holders of the Subsequent Warrants than the terms of this Warrant, the Company will provide the Holder with written notice of such sale or issuance, including the terms of the Subsequent Warrants, no later than five (5) Business Days after the closing date thereof. In the event the Holder determines, in its sole discretion, that any Subsequent Warrants contains terms more favorable to the holder(s) thereof than the terms set forth in this Warrant the Holder may elect to exchange the Warrant for such Subsequent Warrant based on the amount of Warrant Shares exercisable under the Warrant, if any, thereunder. If the Holder elects to exchange the Warrant for a Subsequent Warrant, the Company agrees to enter into a side letter with the Holder relating to such Subsequent Warrant, which side letter will provide for (based on the good faith agreement of the Holder and the Company) any material terms of this Warrant which are not provided for in the Subsequent Warrant.

f) Calculations. All calculations under this Section 3 shall be made to the nearest cent or the nearest 1/100th of a share, as the case may be. For purposes of this Section 3, the number of Common Stock deemed to be issued and outstanding as of a given date shall be the sum of the number of Common Stock (excluding treasury shares, if any) issued and outstanding.

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g) Notice to Holder.

i. Adjustment. Whenever this Warrant is adjusted pursuant to any provision of this Section 3, the Company shall promptly notify, in writing, the Holder of the adjusted terms of this Warrant after such adjustment and any resulting adjustment to the number of Warrant Shares and setting forth a brief statement of the facts requiring such adjustment.

ii. Notice to Allow Exercise by Holder. If (A) the Company shall declare a dividend (or any other distribution in whatever form) on the Ordinary Shares, (B) the Company shall declare a special nonrecurring cash dividend on or a redemption of the Common Stock, (C) the Company shall authorize the granting to all holders of the Common Stock rights or warrants to subscribe for or purchase any shares of capital stock of any class or of any rights, (D) the approval of any stockholders of the Company shall be required in connection with any reclassification of the , any consolidation or merger to which the Company is a party, any sale or transfer of all or substantially all of the assets of the Company, or any compulsory share exchange whereby the Common Stock are converted into other securities, cash or property, or (E) the Company shall authorize the voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Company, then, in each case, the Company shall cause to be delivered by facsimile or email to the Holder at its last facsimile number or email address as it shall appear upon the Warrant Register of the Company, at least 20 calendar days prior to the applicable record or effective date hereinafter specified, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution, redemption, rights or warrants, or if a record is not to be taken, the date as of which the holders of the Common Stock of record to be entitled to such dividend, distributions, redemption, rights or warrants are to be determined or (y) the date on which such reclassification, consolidation, merger, sale, transfer or share exchange is expected to become effective or close, and the date as of which it is expected that holders of the Common Stock of record shall be entitled to exchange their Common Stock for securities, cash or other property deliverable upon such reclassification, consolidation, merger, sale, transfer or share exchange; provided that the failure to deliver such notice or any defect therein or in the delivery thereof shall not affect the validity of the corporate action required to be specified in such notice. To the extent that any notice provided in this Warrant constitutes, or contains, material, non-public information regarding the Company or any of the Subsidiaries, the Company shall simultaneously file such notice with the Commission pursuant to a Current Report on Form 8-K, except in the case where the filing of such Form 8-K would reasonably impair the Company's ability to conduct a financing pursuant to the applicable provisions of the Securities Act or the rules and regulations thereunder, in which case the Company shall afford the Holder (in writing, which may be undertaken via email) the opportunity to not receive such notice. The Holder shall remain entitled to exercise this Warrant during the period commencing on the date of such notice to the effective date of the event triggering such notice except as may otherwise be expressly set forth herein.

(h) Qualified Re-IPO. Notwithstanding the foregoing, if, prior to the full exercise of this Warrant, the Company completes a Qualified Re-IPO (as defined in the Purchase Agreement), and the exercise price of any warrant to purchase common stock issued to investors in the Qualified Re-IPO (the "Re-IPO Warrant Exercise Price") is less than the Exercise Price

then in effect, then the Exercise Price shall be adjusted downward on a one-time basis to equal to the Re-IPO Warrant Exercise Price, which revised exercise price may be further adjusted pursuant to the terms hereof.

(i) Pre-Qualified Re-IPO Financings. Notwithstanding the foregoing, if, prior to the full exercise of this Warrant and prior to the consummation of a Qualified Re-IPO, the Company sells securities at a price less than the Exercise Price then in effect, or issues derivative securities with an exercise or conversion price below less than the Exercise Price then in effect, the Exercise Price shall be adjusted downward to equal such lesser sales or exercise or conversion price; provided, however, that the foregoing shall not apply to an Exempt Issuance (as defined in the Purchase Agreement).

Section 4. Transfer of Warrant.

a) Transferability. Subject to compliance with any applicable securities laws and the conditions set forth in Section 4(d) hereof and to the provisions of Section 4.1 of the Purchase Agreement, this Warrant and all rights hereunder (including, without limitation, any registration rights) are transferable, in whole or in part, upon surrender of this Warrant at the principal office of the Company or its designated agent, together with a written assignment of this Warrant substantially in the form attached hereto duly executed by the Holder or its agent or attorney and funds sufficient to pay any transfer taxes payable upon the making of such transfer. Upon such surrender and, if required, such payment, the Company shall execute and deliver a new Warrant or Warrants in the name of the assignee or assignees, as applicable, and in the denomination or denominations specified in such instrument of assignment, and shall issue to the assignor a new Warrant evidencing the portion of this Warrant not so assigned, and this Warrant shall promptly be cancelled. Notwithstanding anything herein to the contrary, the Holder shall not be required to physically surrender this Warrant to the Company unless the Holder has assigned this Warrant in full, in which case, the Holder shall surrender this Warrant to the Company within three (3) Trading Days of the date on which the Holder delivers an assignment form to the Company assigning this Warrant in full. The Warrant, if properly assigned in accordance herewith, may be exercised by a new holder for the purchase of Warrant Shares without having a new Warrant issued.

b) New Warrants. This Warrant may be divided or combined with other Warrants upon presentation hereof at the aforesaid office of the Company, together with a written notice specifying the names and denominations in which new Warrants are to be issued, signed by the Holder or its agent or attorney. Subject to compliance with Section 4(a), as to any transfer which may be involved in such division or combination, the Company shall execute and deliver a new Warrant or Warrants in exchange for the Warrant or Warrants to be divided or combined in accordance with such notice. All Warrants issued on transfers or exchanges shall be dated the original Issue Date and shall be identical with this Warrant except as to the number of Warrant Shares issuable pursuant thereto.

c) Warrant Register. The Company shall register this Warrant, upon records to be maintained by the Company for that purpose (the "Warrant Register"), in the name of the record Holder hereof from time to time. The Company may deem and treat the registered Holder of this Warrant as the absolute owner hereof for the purpose of any exercise hereof or any distribution to the Holder, and for all other purposes, absent actual notice to the contrary.

d) Transfer Restrictions. If, at the time of the surrender of this Warrant in connection with any transfer of this Warrant, the transfer of this Warrant shall not be either (i) registered pursuant to an effective registration statement under the Securities Act and under applicable state securities or blue sky laws or (ii) eligible for resale without volume or manner-of-sale restrictions or current public information requirements pursuant to Rule 144, the Company may require, as a condition of allowing such transfer, that the Holder or transferee of this Warrant, as the case may be, comply with the provisions of Section 5.7 of the Purchase Agreement.

e) Representation by the Holder. The Holder, by the acceptance hereof, represents and warrants that it is acquiring this Warrant and, upon any exercise hereof, will acquire the Warrant Shares issuable upon such exercise, for its own account and not with a view to or for distributing or reselling such Warrant Shares or any part thereof in violation of the Securities Act or any applicable state securities law, except pursuant to sales registered or exempted under the Securities Act.

Section 5. Miscellaneous.

a) Reserved.

b) No Rights as Security Holder; No Exercise Settlement in Cash. This Warrant does not entitle the Holder to any voting rights, dividends or other rights as a security holder of the Company prior to the exercise hereof as set forth in Section 2(c)(i), except as expressly set forth in Section 3. Without limiting any rights of a Holder to receive cash payments pursuant to Section 2(c)(i), Section 2(c)(iv) and/or Section 3(d) herein, in no event shall the Company be required to net cash settle an exercise of this Warrant.

c) Loss, Theft, Destruction or Mutilation of Warrant. The Company covenants that upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Warrant or any stock certificate relating to the Warrant Shares, and in case of loss, theft or destruction, of indemnity or security reasonably satisfactory to it (which, in the case of the Warrant, shall not include the posting of any bond), and upon surrender and cancellation of such Warrant or stock certificate, if mutilated, the Company will make and deliver a new Warrant or stock certificate of like tenor and dated as of such cancellation, in lieu of such Warrant or stock certificate.

d) Saturdays, Sundays, Holidays, etc. If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall not be a Business Day, then, such action may be taken or such right may be exercised on the next succeeding Business Day.

e) Authorized Shares.

(i) The Company covenants that, during the period the Warrant is outstanding, it will reserve from its authorized and unissued shares of Common Stock a sufficient number of shares to provide for the issuance of the Warrant Shares upon the exercise of any rights under this Warrant. The Company further covenants that its issuance of this Warrant shall constitute full authority to its officers who are charged with the duty of issuing the necessary Warrant Shares upon the exercise of the rights under this Warrant. The Company will take all such reasonable action as may be necessary to assure that such Warrant Shares may be issued as provided herein without violation of any applicable law or regulation, or of any requirements of the Trading Market upon which the Warrant Shares may be listed. The Company covenants that all Warrant Shares which may be issued upon the exercise of the rights represented by this Warrant will, upon exercise of the rights represented by this Warrant, be duly authorized, validly issued, fully paid and nonassessable and free from all taxes, liens and charges created by the Company in respect of the issue thereof (other than taxes in respect of any transfer occurring contemporaneously with such issue).

(ii) Except and to the extent as waived or consented to by the Holder, the Company shall not by any action, including, without limitation, amending its certificate of incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such actions as may be necessary or appropriate to protect the rights of Holder as set forth in this Warrant against impairment. Without limiting the generality of the foregoing, the Company will (i) not increase the par value of any Warrant Shares above the amount payable therefor upon such exercise immediately prior to such increase in par value, (ii) take all such action as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and nonassessable Warrant Shares upon the exercise of this Warrant and (iii) use commercially reasonable efforts to obtain all such authorizations, exemptions or consents from any public regulatory body having jurisdiction thereof, as may be, necessary to enable the Company to perform its obligations under this Warrant.

(iii) Before taking any action which would result in an adjustment in the number of Warrant Shares for which this Warrant is exercisable, the Company shall obtain all such authorizations or exemptions thereof, or consents thereto, as may be necessary from any public regulatory body or bodies having jurisdiction thereof.

f) Governing Law. All questions concerning the construction, validity, enforcement and interpretation of this Warrant shall be governed by and construed and enforced in accordance with the internal laws of the State of New York, without regard to the principles of conflicts of law thereof. Each party agrees that all legal proceedings concerning the interpretations, enforcement and defense of the transactions contemplated by this Warrant (whether brought against a party hereto or their respective affiliates, directors, officers, shareholders, partners, members, employees or agents) shall be commenced exclusively in the state and

federal courts sitting in the City of New York. Each party hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in the City of New York, Borough of Manhattan for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is improper or is an inconvenient venue for such proceeding. Each party hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Warrant and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any other manner permitted by law. If either party shall commence an action, suit or proceeding to enforce any provisions of this Warrant, the prevailing party in such action, suit or proceeding shall be reimbursed by the other party for their reasonable attorneys' fees and other costs and expenses incurred with the investigation, preparation and prosecution of such action or proceeding.

g) Restrictions. The Holder acknowledges that the Warrant shares and the underlying shares of Common Stock acquired upon the exercise of this Warrant, if not registered, will have restrictions upon resale imposed by state and federal or foreign securities laws.

h) Nonwaiver and Expenses. No course of dealing or any delay or failure to exercise any right hereunder on the part of Holder shall operate as a waiver of such right or otherwise prejudice the Holder's rights, powers or remedies. Without limiting any other provision of this Warrant or the Purchase Agreement, if the Company willfully and knowingly fails to comply with any provision of this Warrant, which results in any material damages to the Holder, the Company shall pay to the Holder such amounts as shall be sufficient to cover any costs and expenses including, but not limited to, reasonable attorneys' fees, including those of appellate proceedings, incurred by the Holder in collecting any amounts due pursuant hereto or in otherwise enforcing any of its rights, powers or remedies hereunder.

i) Notices. Any notice, request or other document required or permitted to be given or delivered to the Holder by the Company shall be delivered in accordance with the notice provisions of the Purchase Agreement.

j) Limitation of Liability. No provision hereof, in the absence of any affirmative action by the Holder to exercise this Warrant to receive Warrant Shares, and no enumeration herein of the rights or privileges of the Holder, shall give rise to any liability of the Holder for the purchase price of any shares of Common Stock or as a stockholder of the Company, whether such liability is asserted by the Company or by creditors of the Company.

k) Remedies. The Holder, in addition to being entitled to exercise all rights granted by law, including recovery of damages, will be entitled to specific performance of its rights under this Warrant. The Company agrees that monetary damages would not be adequate compensation for any loss incurred by reason of a breach by it of the provisions of this Warrant and hereby agrees to waive and not to assert the defense in any action for specific performance that a remedy at law would be adequate.

l) Successors and Assigns. Subject to applicable securities laws, this Warrant and the rights and obligations evidenced hereby shall inure to the benefit of and be binding upon the successors and permitted assigns of the Company and the successors and permitted assigns of Holder. The provisions of this Warrant are intended to be for the benefit of any Holder from time to time of this Warrant and shall be enforceable by the Holder or holder of Warrant Shares.

m) Amendment. This Warrant may be modified or amended or the provisions hereof waived with the written consent of the Company and the Holder.

n) Severability. Wherever possible, each provision of this Warrant shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Warrant shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provisions or the remaining provisions of this Warrant.

o) Headings. The headings used in this Warrant are for the convenience of reference only and shall not, for any purpose, be deemed a part of this Warrant.

(Signature Page Follows)

IN WITNESS WHEREOF, the Company has caused this Warrant A to be executed by its officer thereunto duly authorized as of the date first above indicated.

BASANITE, INC.

By: /s/ Simon R. Kay

Name: Simon R Kay

Title: Acting Interim President and CEO

NOTICE OF EXERCISE

TO: BASANITE, INC.

(1) The undersigned hereby elects to purchase _____ Warrant Shares of the Company pursuant to the terms of the attached Warrant A (only if exercised in full), and tenders herewith payment of the exercise price in full, together with all applicable transfer taxes, if any.

(2) Payment shall take the form in lawful money of the United States. [if cashless exercise is permitted, this notice shall state here the number of Warrant Shares to be issued and the calculation therefor pursuant to the terms of the Warrant A]

(3) Please issue said Warrant Shares in the name of the undersigned or in such other name as is specified below:

The Warrant Shares shall be delivered to the following DWAC Account Number:

(4) Accredited Investor/Non U.S. Person. The undersigned is either (i) an “accredited investor” as defined in Regulation D promulgated under the Securities Act of 1933, as amended (the “Securities Act”), or (ii) a Non U.S. Person as defined under Regulation S promulgated under the Securities Act. To the extent that the undersigned is a non U.S. Person, the undersigned (x) is not acquiring the securities for the account or benefit of any U.S. Person, (y) is not in the United States and (z) is not a “distributor” (as defined in Regulation S promulgated under the Securities Act).

[SIGNATURE OF HOLDER]

Name of Investing Entity: _____

Signature of Authorized Signatory of Investing Entity: _____

Name of Authorized Signatory: _____

Title of Authorized Signatory: _____

Date:

EXHIBIT B

ASSIGNMENT FORM

(To assign the foregoing Warrant A, execute this form and supply required information. Do not use this form to exercise Warrant Shares.)

FOR VALUE RECEIVED, the foregoing Warrant A and all rights evidenced thereby are hereby assigned to

Name:

(Please Print)

Address:

(Please Print)

Phone Number:

Email Address:

Dated: _____, _____

Holder's Signature: _____

Holder's Address: _____

NEITHER THIS SECURITY NOR THE SECURITIES FOR WHICH THIS SECURITY IS EXERCISABLE HAVE BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS. THIS SECURITY AND THE SECURITIES ISSUABLE UPON EXERCISE OF THIS SECURITY MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT OR OTHER LOAN SECURED BY SUCH SECURITIES.

**COMMON STOCK PURCHASE WARRANT
(Warrant B)**

BASANITE, INC.

Warrant Shares: _____

Issue Date: August 17, 2021

Initial Exercise Date: August 17, 2021

THIS COMMON STOCK PURCHASE WARRANT (the "Warrant") certifies that, for value received, _____ or its assigns (the "Holder") is entitled, upon the terms and subject to the limitations on exercise and the conditions hereinafter set forth, at any time on or after the date hereof (the "Initial Exercise Date") and on or prior to 5:00 p.m. (New York City time) on August 17, 2026 (the "Termination Date"), but not thereafter, to subscribe for and purchase from Basanite, Inc., a Nevada corporation (the "Company"), up to _____ shares (as subject to adjustment hereunder, the "Warrant Shares") of Common Stock. The purchase price of one share of Common Stock under this Warrant shall be equal to the Exercise Price, as defined in Section 2(b). This Warrant shall initially be issued in certificated form in the name of the Holder.

Section 1. Definitions. Capitalized terms used and not otherwise defined herein shall have the meanings set forth in that certain Securities Purchase Agreement (the "Purchase Agreement"), dated August 17, 2021, among the Company and the purchasers signatory thereto.

Section 2. Exercise.

a) Exercise of Warrant. Exercise of the purchase rights represented by this Warrant may be made, in whole or in part, at any time or times on or after the Initial Exercise Date and on or before the Termination Date by delivery to the Company of a duly executed facsimile copy or PDF copy submitted by e-mail (or e-mail attachment) of the Notice of Exercise in the form annexed hereto (the "Notice of Exercise"). Within the earlier of (i) two (2) Trading Days and (ii) the number of Trading Days comprising the Standard Settlement Period (as defined in Section 2(c)(i) herein) following the date of exercise as aforesaid, the Holder shall deliver the aggregate Exercise Price for the shares specified in the applicable Notice of Exercise by wire transfer or cashier's check drawn on a United States bank. No ink-original Notice of Exercise shall be required, nor shall any medallion guarantee (or other type of guarantee or notarization) of any Notice of Exercise be required. Notwithstanding anything herein to the contrary, the Holder shall not be required to physically surrender this Warrant to the Company until the Holder has purchased all of the Warrant Shares available hereunder and the Warrant has been exercised in full, in which case, the Holder shall surrender this Warrant to the Company for cancellation within three (3) Trading Days of the date on which the final Notice of Exercise is delivered to the Company. Partial exercises of this Warrant resulting in purchases of a portion of the total number of Warrant Shares available hereunder shall have the effect of lowering the outstanding number of Warrant Shares purchasable hereunder in an amount equal to the applicable number of Warrant Shares purchased. The Holder and the Company shall maintain records showing the number of Warrant

Shares purchased and the date of such purchases. The Company shall deliver any objection to any Notice of Exercise within one (1) Business Day of receipt of such notice. **The Holder and any assignee, by acceptance of this Warrant, acknowledge and agree that, by reason of the provisions of this paragraph, following the exercise of a portion of the Warrant Shares**

hereunder, the number of Warrant Shares available for exercise hereunder at any given time may be less than the amount stated on the face hereof.

b) Exercise Price. The exercise price per share of Common Stock under this Warrant shall be **\$0.33**, subject to adjustment hereunder (the "Exercise Price").

c) Cashless Exercise. If at the time of exercise hereof there is no effective registration statement registering, or the prospectus contained therein is not available for, the resale of the Warrant Shares by the Holder, then this Warrant may also be exercised, in whole or in part, at such time by means of a "cashless exercise" in which the Holder shall be entitled to receive a number of Warrant Shares equal to the quotient obtained by dividing [(A-B) (X)] by (A), where:

(A) = as applicable: (i) the VWAP on the Trading Day immediately preceding the date of the applicable Notice of Exercise if such Notice of Exercise is (1) both executed and delivered pursuant to Section 2(a) hereof on a day that is not a Trading Day or (2) both executed and delivered pursuant to Section 2(a) hereof on a Trading Day prior to the opening of "regular trading hours" (as defined in Rule 600(b)(68) of Regulation NMS promulgated under the federal securities laws) on such Trading Day, (ii) at the option of the Holder, either (y) the VWAP on the Trading Day immediately preceding the date of the applicable Notice of Exercise or (z) the Bid Price of the Common Stock on the principal Trading Market as reported by Bloomberg L.P. as of the time of the Holder's execution of the applicable Notice of Exercise if such Notice of Exercise is executed during "regular trading hours" on a Trading Day and is delivered within two (2) hours thereafter (including until two (2) hours after the close of "regular trading hours" on a Trading Day) pursuant to Section 2(a) hereof or (iii) the VWAP on the date of the applicable Notice of Exercise if the date of such Notice of Exercise is a Trading Day and such Notice of Exercise is both executed and delivered pursuant to Section 2(a) hereof after the close of "regular trading hours" on such Trading Day;

(B) = the Exercise Price of this Warrant, as adjusted hereunder; and

(X) = the number of Warrant Shares that would be issuable upon exercise of this Warrant in accordance with the terms of this Warrant if such exercise were by means of a cash exercise rather than a cashless exercise.

If Warrant Shares are issued in such a cashless exercise, the parties acknowledge and agree that in accordance with Section 3(a)(9) of the Securities Act, the Warrant Shares shall take on the registered characteristics of the Warrants being exercised. The Company agrees not to take any position contrary to this Section 2(c).

(d) Mechanics of Exercise

i. Delivery of Warrant Shares Upon Exercise. The Company shall cause its Transfer Agent to deposit the Warrant Shares and cause the Transfer Agent to credit the Warrant Shares to the account of the Holder's or its designee's balance account with The Depository Trust Company or its nominee ("DTC") or another established clearing corporation performing similar functions) through its Deposit or Withdrawal at Custodian system ("DWAC") if the Company is then a participant in such system and either (A) there is an effective registration statement permitting the issuance of the Warrant Shares to or resale of the Warrant Shares by the Holder or (B) the Warrant

Shares are eligible for resale by the Holder without volume or manner-of-sale limitations pursuant to Rule 144, and otherwise by physical delivery of the Warrant Shares, registered in the Company's share register in the name of the Holder or its designee, for the number of Warrant Shares to which the Holder is entitled pursuant to such exercise to the address specified by the Holder in the Notice of Exercise by the date that is the earlier of (i) two (2) Trading Days and (ii) the number of Trading Days comprising the Standard Settlement Period after the delivery to the Company of the Notice of Exercise (such date, the "Warrant Share Delivery Date"); provided that the Warrant Share Delivery Date shall not be deemed to have occurred until such time that the Company has received the aggregate Exercise Price. Upon delivery of the Notice of Exercise and the Exercise Price, the Holder shall be deemed for all corporate purposes to have become the holder of record of the Warrant Shares with respect to which this Warrant has been exercised, irrespective of

the date of delivery of the Warrant Shares. Notwithstanding anything herein to the contrary, upon delivery of the Notice of Exercise the Holder shall be deemed for purposes of Regulation SHO under the Exchange Act to have become the holder of the Warrant Shares irrespective of the date of delivery of the Warrant Shares. If the Company fails for any reason to deliver to the Holder the Warrant Shares subject to a Notice of Exercise by the Warrant Share Delivery Date, the Company shall pay to the Holder, in cash, as liquidated damages and not as a penalty, for each \$1,000 of Warrant Shares subject to such exercise (based on the VWAP of the Common Stock on the date of the applicable Notice of Exercise), \$10 per Trading Day (increasing to \$20 per Trading Day on the fifth Trading Day after such liquidated damages begin to accrue) for each Trading Day after such Warrant Share Delivery Date until such Warrant Shares are delivered or Holder rescinds such exercise. The Company agrees to maintain a registrar (which can be the depository) that is a participant in the FAST program so long as this Warrant remains outstanding and exercisable. “Standard Settlement Period” means the standard settlement period, expressed in a number of Trading Days, on the Company’s primary Trading Market with respect to the Common Stock as in effect on the date of delivery of the Notice of Exercise.

“VWAP” means, for any date, the price determined by the first of the following clauses that applies: (a) if the Common Stock is then listed or quoted on a Trading Market, the daily volume weighted average price of the Common Stock for such date (or the nearest preceding date) on the Trading Market on which the Common Stock is then listed or quoted as reported by Bloomberg L.P. (based on a Trading Day from 9:30 a.m. (New York City time) to 4:02 p.m. (New York City time)), (b) if OTCQB or OTCQX is not a Trading Market, the volume weighted average price of the Common Stock for such date (or the nearest preceding date) on OTCQB or OTCQX as applicable, (c) if the Common Stock is not then listed or quoted for trading on OTCQB or OTCQX and if prices for the Common Stock are then reported in The Pink Open Market (or a similar organization or agency succeeding to its functions of reporting prices), the most recent bid price per Common Stock so reported, or (d) in all other cases, the fair market value of an Common Stock as determined in good faith by the Board of Directors of the Company.

ii. Delivery of New Warrants Upon Exercise. If this Warrant shall have been exercised in part, the Company shall, at the request of a Holder and upon surrender of this Warrant, at the time of delivery of the Warrant Shares, deliver to the Holder a new Warrant evidencing the rights of the Holder to exercise the unexercised Warrant Shares called for by this Warrant, which new Warrant shall in all other respects be identical with this Warrant.

iii. Rescission Rights. If the Company fails to cause the Transfer Agent to transmit to the Holder the Warrant Shares pursuant to Section 2(c)(i) by the Warrant Share Delivery Date, then the Holder will have the right to rescind such exercise; provided, however, that the Holder shall be required to return any Warrant Shares subject to any such rescinded exercise notice concurrently with the return to

Holder of the aggregate Exercise Price paid to the Company for such Warrant Shares and the restoration of Holder’s right to acquire such Warrant Shares pursuant to this Warrant (including, issuance of a replacement warrant certificate evidencing such restored right).

iv. Compensation for Buy-In on Failure to Timely Deliver Warrant Shares Upon Exercise. In addition to any other rights available to the Holder, if the Company fails to cause the Transfer Agent to transmit to the Holder the Warrant Shares in accordance with the provisions of Section 2(c)(i) above pursuant to an exercise on or before the Warrant Shares Delivery Date, and if after such date the Holder is required by its broker to purchase (in an open market transaction or otherwise) or the Holder’s brokerage firm otherwise purchases, Common Stock to deliver in satisfaction of a sale by the Holder of the Warrant Shares which the Holder anticipated receiving upon such exercise (a “Buy-In”), then the Company shall (A) pay in cash to the Holder the amount, if any, by which (x) the Holder’s total purchase price (including brokerage commissions, if any) for the Shares so purchased exceeds (y) the amount obtained by multiplying (1) the number of Warrant Shares that the Company was required to deliver to the Holder in connection with the exercise at issue times (2) the price at which the sell order giving rise to such purchase obligation was executed, and (B) at the option of the Holder, either reinstate the portion of the Warrant and equivalent number of Warrant Shares for which such exercise was not honored (in which case such exercise shall be

deemed rescinded) or deliver to the Holder the number of Common Stock that would have been issued had the Company timely complied with its exercise and delivery obligations hereunder. For example, if the Holder purchases Common Stock having a total purchase price of \$11,000 to cover a Buy-In with respect to an attempted exercise of Warrants with an aggregate sale price giving rise to such purchase obligation of \$10,000, under clause (A) of the immediately preceding sentence the Company shall be required to pay the Holder \$1,000. The Holder shall provide the Company written notice indicating the amounts payable to the Holder in respect of the Buy-In and, upon request of the Company, evidence of the amount of such loss. Nothing herein shall limit a Holder's right to pursue any other remedies available to it hereunder, at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief with respect to the Company's failure to timely deliver Common Stock upon exercise of the Warrant as required pursuant to the terms hereof. Notwithstanding anything contained herein to the contrary, the Buy-In Amount shall not exceed \$100,000 in the aggregate.

v. No Fractional Shares or Scrip. No fractional shares or scrip representing fractional shares shall be issued upon the exercise of this Warrant.

vi. Charges, Taxes and Expenses. Issuance of Warrant Shares shall be made without charge to the Holder for any issue or transfer tax or other incidental expense in respect of the issuance of such Warrant Shares, all of which taxes and expenses shall be paid by the Company, and such Warrant Shares shall be issued in the name of the Holder or in such name or names as may be directed by the Holder; provided, however, that in the event that Warrant Shares are to be issued in a name other than the name of the Holder, this Warrant when surrendered for exercise shall be accompanied by the Assignment Form attached hereto duly executed by the Holder and the Company may require, as a condition thereto, the payment of a sum sufficient to reimburse it for any transfer tax incidental thereto. The Company shall pay all Depository fees required for same-day processing of any Notice of Exercise and all fees to the Depository Trust Company (or another established clearing corporation performing similar functions) required for same-day electronic delivery of the Warrant Shares.

vii. Closing of Books. The Company will not close its stockholder books or records in any manner which prevents the timely exercise of this Warrant, pursuant to the terms hereof.

d) Holder's Exercise Limitations. The Company shall not effect any exercise of this Warrant, and a Holder shall not have the right to exercise any portion of this Warrant, pursuant to Section 2 or otherwise, to the extent that after giving effect to such issuance after exercise as set forth on the applicable Notice of Exercise, the Holder (together with the Holder's Affiliates, and any other Persons acting as a group together with the Holder or any of the Holder's Affiliates (such Persons, "Attribution Parties")), would beneficially own in excess of the Beneficial Ownership Limitation (as defined below). For purposes of the foregoing sentence, the number of shares of Common Stock beneficially owned by the Holder and its Affiliates and Attribution Parties shall include the number of Common Stock held by the Holder and its Attribution Parties plus the number of Common Stock underlying such Warrant Shares issuable upon exercise of this Warrant with respect to which such determination is being made, but shall exclude the number of shares of Common Stock underlying Warrant Shares which would be issuable upon (i) exercise of the remaining, nonexercised portion of this Warrant beneficially owned by the Holder or any of its Affiliates or Attribution Parties and (ii) exercise or conversion of the unexercised or nonconverted portion of any other securities of the Company (including, without limitation, any other Common Stock Equivalents) subject to a limitation on conversion or exercise analogous to the limitation contained herein beneficially owned by the Holder or any of its Affiliates or Attribution Parties. Except as set forth in the preceding sentence, for purposes of this Section 2(d), beneficial ownership shall be calculated in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder, it being acknowledged by the Holder that the Company is not representing to the Holder that such calculation is in compliance with Section 13(d) of the Exchange Act and the Holder is solely responsible for any schedules required to be filed in accordance therewith. To the extent that the limitation contained in this Section 2(d) applies, the determination of whether this Warrant is exercisable (in relation to other securities owned by the Holder together with any Affiliates and Attribution Parties) and of which portion of this Warrant is exercisable shall be in the sole discretion of the Holder, and the submission of a Notice of Exercise shall be deemed to be the Holder's determination of whether this Warrant is exercisable (in relation to other securities owned by the Holder together with any Affiliates and Attribution Parties) and of which portion of this Warrant is exercisable, in each case subject to the Beneficial Ownership Limitation, and the Company shall have no obligation to verify or confirm the accuracy of such determination. In addition, a determination as to any group status as contemplated above shall be determined in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder. For purposes of this Section 2(d), in determining the number of outstanding Common Stock, a Holder may rely on the number

of outstanding Common Stock as reflected in (A) the Company's most recent periodic or annual report filed with the Commission, as the case may be, (B) a more recent public announcement by the Company or (C) a more recent written notice by the Company or the Transfer Agent setting forth the number of shares of Common Stock outstanding. Upon the written or oral request of a Holder, the Company shall within one Trading Day confirm orally and in writing to the Holder the number of Common Stock then outstanding. In any case, the number of outstanding Common Stock shall be determined after giving effect to the conversion or exercise of securities of the Company, including this Warrant, by the Holder or its Affiliates or Attribution Parties since the date as of which such number of outstanding Common Stock was reported. The "Beneficial Ownership Limitation" shall be [4.99/9.99%] of the number of shares of Common Stock outstanding immediately after giving effect to the issuance of Common Stock underlying the Warrant Shares issuable upon exercise of this Warrant. The Holder, upon notice to the Company, may increase or decrease the Beneficial Ownership Limitation provisions of this Section 2(d), provided that the Beneficial Ownership Limitation in no event exceeds 9.99% of the number of Common Stock outstanding immediately after giving effect to the issuance of Common Stock upon exercise of this Warrant held by the Holder and the provisions of this Section 2(d) shall continue to apply. Any increase in the Beneficial Ownership Limitation will not be effective until the 61st day after such notice is delivered to the Company. The provisions of this paragraph shall be construed and implemented in a manner otherwise than in strict conformity with the terms of this Section 2(d) to correct this paragraph (or any portion hereof) which may be defective or inconsistent with the intended Beneficial Ownership Limitation herein contained or to make changes or supplements necessary or desirable to properly give effect to such limitation. The limitations contained in this paragraph shall apply to a successor holder of this Warrant.

e) Company Call Right. At any time following issuance this Warrant, the price of the publicly traded Common Stock is \$1.00 or greater (as adjust for stock splits, reverse stock splits and the like) for five (5) consecutive Trading Days, the Company may provide five (5) Trading Days' notice to the Holder of this Warrant to call this Warrant for a total price of \$0.01 for the entirety of this Warrant. During such five (5) Trading Days' notice period, the Holder shall be permitted to exercise this Warrant in whole or in part at the then applicable Exercise Price. If this Warrant is not so exercised during such period, the unexercised portion of this Warrant will be deemed to be repurchased by the Company in its entirety full for \$0.01.

Section 3. Certain Adjustments.

a) Share Dividends and Splits. If the Company, at any time while this Warrant is outstanding: (i) pays a share dividend or otherwise makes a distribution or distributions on its Common Stock or any other equity or equity equivalent securities payable in Common Stock (which, for avoidance of doubt, shall not include any Common Stock issued by the Company upon exercise of this Warrant), as applicable, (ii) subdivides outstanding Common Stock into a larger number of shares or Common Stock, as applicable, (iii) combines (including by way of reverse share split) outstanding Common Stock into a smaller number of shares, as applicable, or (iv) issues by reclassification Common Stock or any shares of capital stock of the Company, as applicable, then in each case the Exercise Price shall be multiplied by a fraction of which the numerator shall be the number of Common Stock (excluding treasury shares, if any) outstanding immediately before such event and of which the denominator shall be the number of shares of Common Stock outstanding immediately after such event, and the number of shares issuable upon exercise of this Warrant shall be proportionately adjusted such that the aggregate Exercise Price of this Warrant shall remain unchanged. Any adjustment made pursuant to this Section 3(a) shall become effective immediately after the record date for the determination of shareholders entitled to receive such dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision, combination or re-classification. For the purposes of clarification, the Exercise Price of this Warrant will not be adjusted in the event that the Company or any Subsidiary thereof, as applicable, sells or grants any option to purchase, or sell or grant any right to reprice, or otherwise dispose of or issue (or announce any offer, sale, grant or any option to purchase or other disposition) any Common Stock or Common stock Equivalents, at an effective price per share less than the Exercise Price then in effect.

b) Subsequent Rights Offerings. In addition to any adjustments pursuant to Section 3(a) above, if at any time the Company grants, issues or sells any Common Stock Equivalents or rights to purchase shares, warrants, securities or other property pro rata to the record holders of any class of Common Stock (the "Purchase Rights"), then the Holder will be entitled to acquire, upon the terms applicable to such Purchase Rights, the aggregate Purchase Rights which the Holder could have acquired if the Holder had held the number of shares of Common Stock acquirable upon complete exercise of this Warrant (without regard to any limitations on exercise hereof, including without limitation, the Beneficial Ownership Limitation) immediately before the date on which a record is taken for the grant, issuance or sale of such Purchase Rights, or, if no such record is taken, the date as of which the record holders of Common Stock, as applicable, are to be determined for the grant, issue or sale of such Purchase Rights (provided, however, to the extent that the Holder's right to participate in any such Purchase Right would result in the Holder exceeding the Beneficial Ownership Limitation, then the Holder shall not be entitled to participate in such Purchase

Right to such extent (or beneficial ownership of such shares of Common Stock as a result of such Purchase Right to such extent) and such Purchase Right to such extent shall be held in abeyance for the Holder until such time, if ever, as its right thereto would not result in the Holder exceeding the Beneficial Ownership Limitation).

c) Pro Rata Distributions. During such time as this Warrant is outstanding, if the Company shall declare or make any dividend or other distribution of its assets (or rights to acquire its assets) to holders of Common Stock, by way of return of capital or otherwise (including, without limitation, any distribution of cash, shares or other securities, property or options by way of a dividend, spin off, reclassification, corporate rearrangement, scheme of arrangement or other similar transaction) (a “Distribution”), at any time after the issuance of this Warrant, then, in each such case, the Holder shall be entitled to participate in such Distribution to the same extent that the Holder would have participated therein if the Holder had held the number of shares of Common Stock acquirable upon complete exercise of this Warrant (without regard to any limitations on exercise hereof, including without limitation, the Beneficial Ownership Limitation) immediately before the date of which a record is taken for such Distribution, or, if no such record is taken, the date as of which the record holders of Common Stock, as applicable, are to be determined for the participation in such Distribution (provided, however, to the extent that the Holder's right to participate in any such Distribution would result in the Holder exceeding the Beneficial Ownership Limitation, then the Holder shall not be entitled to participate in such Distribution to such extent (or in the beneficial ownership of any shares of Common Stock as a result of such Distribution to such extent) and the portion of such Distribution shall be held in abeyance for the benefit of the Holder until such time, if ever, as its right thereto would not result in the Holder exceeding the Beneficial Ownership Limitation).

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d) Fundamental Transactions. If, at any time while this Warrant is outstanding, (i) the Company, directly or indirectly, in one or more related transactions effects any merger or consolidation of the Company with or into another Person, (ii) the Company (and all of its Subsidiaries, taken as a whole), directly or indirectly, effects any sale, lease, license, assignment, transfer, conveyance or other disposition of all or substantially all of its assets in one or a series of related transactions, (iii) any, direct or indirect, purchase offer, tender offer or exchange offer (whether by the Company or another Person) is completed pursuant to which holders of Common Stock are permitted to sell, tender or exchange their shares for other securities, cash or property and has been accepted by the holders of 50% or more of the outstanding Common Stock, (iv) the Company, directly or indirectly, in one or more related transactions effects any reclassification, reorganization or recapitalization of the Common Stock or any compulsory share exchange pursuant to which the Common Stock is effectively converted into or exchanged for other securities, cash or property, or (v) the Company, directly or indirectly, in one or more related transactions consummates a stock or share purchase agreement or other business combination (including, without limitation, a reorganization, recapitalization, spin-off, merger or scheme of arrangement) with another Person or group of Persons whereby such other Person or group acquires more than 50% of the outstanding Common Stock (not including any Common Stock held by the other Person or other Persons making or party to, or associated or affiliated with the other Persons making or party to, such stock or share purchase agreement or other business combination) (each a “Fundamental Transaction”), then, upon any subsequent exercise of this Warrant, the Holder shall have the right to receive, for each Warrant Share underlying the Warrant Shares that would have been issuable upon such exercise immediately prior to the occurrence of such Fundamental Transaction, at the option of the Holder (without regard to any limitation in Section 2(d) on the exercise of this Warrant), the number of shares of Common Stock of the successor or acquiring corporation or of the Company, if it is the surviving corporation, and any additional consideration (the “Alternate Consideration”) receivable as a result of such Fundamental Transaction by a holder of the number of shares of Common Stock for which this Warrant is exercisable immediately prior to such Fundamental Transaction (without regard to any limitation in Section 2(d) on the exercise of this Warrant). If holders of Common Stock are given any choice as to the securities, cash or property to be received in a Fundamental Transaction, then the Holder shall be given the same choice as to the Alternate Consideration it receives upon any exercise of this Warrant following such Fundamental Transaction. The Company shall cause any successor entity in a Fundamental Transaction in which the Company is not the survivor (the “Successor Entity”) to assume in writing all of the obligations of the Company under this Warrant and the other Transaction Documents in accordance with the provisions of this Section 3(e) pursuant to written agreements in form and substance reasonably satisfactory to the Holder and approved by the Holder (without unreasonable delay) prior to such Fundamental Transaction and shall, at the option of the Holder, deliver to the Holder in exchange for this Warrant a security of the Successor Entity evidenced by a written instrument substantially similar in form and substance to this Warrant which is exercisable for a corresponding number of shares of capital stock of such Successor Entity (or its parent entity) equivalent to the Common Stock acquirable and receivable upon exercise of this Warrant (without regard to any limitations on the exercise of this Warrant) prior to such Fundamental Transaction, and which required no additional consideration upon exercise, and which is reasonably satisfactory in form and substance to the Holder. Upon the occurrence of any such Fundamental Transaction, the Successor Entity shall succeed to, and be substituted for (so that from and after the date of such Fundamental Transaction, the provisions of this Warrant and the other Transaction Documents referring to the “Company” shall refer instead to the Successor Entity), and may exercise every right and power of the Company

and shall assume all of the obligations of the Company under this Warrant and the other Transaction Documents with the same effect as if such Successor Entity had been named as the Company herein.

e) Most Favored Nation. While this Warrant is outstanding, if the Company sells or issues any warrants to purchase Common Stock ("Subsequent Warrants") which contain material terms that are more favorable to the holders of the Subsequent Warrants than the terms of this Warrant, the Company will provide the Holder with written notice of such sale or issuance, including the terms of the Subsequent Warrants, no later than five (5) Business Days after the closing date thereof. In the event the Holder determines, in its sole discretion, that any Subsequent Warrants contains terms more favorable to the holder(s) thereof than the terms set forth in this Warrant the Holder may elect to exchange the Warrant for such Subsequent Warrant based on the amount of Warrant Shares exercisable under the Warrant, if any, thereunder. If the Holder elects to exchange the Warrant for a Subsequent Warrant, the Company agrees to enter into a side letter with the Holder relating to such Subsequent Warrant, which side letter will provide for (based on the good faith agreement of the Holder and the Company) any material terms of this Warrant which are not provided for in the Subsequent Warrant.

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f) Calculations. All calculations under this Section 3 shall be made to the nearest cent or the nearest 1/100th of a share, as the case may be. For purposes of this Section 3, the number of Common Stock deemed to be issued and outstanding as of a given date shall be the sum of the number of Common Stock (excluding treasury shares, if any) issued and outstanding.

g) Notice to Holder.

i. Adjustment. Whenever this Warrant is adjusted pursuant to any provision of this Section 3, the Company shall promptly notify, in writing, the Holder of the adjusted terms of this Warrant after such adjustment and any resulting adjustment to the number of Warrant Shares and setting forth a brief statement of the facts requiring such adjustment.

ii. Notice to Allow Exercise by Holder. If (A) the Company shall declare a dividend (or any other distribution in whatever form) on the Ordinary Shares, (B) the Company shall declare a special nonrecurring cash dividend on or a redemption of the Common Stock, (C) the Company shall authorize the granting to all holders of the Common Stock rights or warrants to subscribe for or purchase any shares of capital stock of any class or of any rights, (D) the approval of any stockholders of the Company shall be required in connection with any reclassification of the , any consolidation or merger to which the Company is a party, any sale or transfer of all or substantially all of the assets of the Company, or any compulsory share exchange whereby the Common Stock are converted into other securities, cash or property, or (E) the Company shall authorize the voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Company, then, in each case, the Company shall cause to be delivered by facsimile or email to the Holder at its last facsimile number or email address as it shall appear upon the Warrant Register of the Company, at least 20 calendar days prior to the applicable record or effective date hereinafter specified, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution, redemption, rights or warrants, or if a record is not to be taken, the date as of which the holders of the Common Stock of record to be entitled to such dividend, distributions, redemption, rights or warrants are to be determined or (y) the date on which such reclassification, consolidation, merger, sale, transfer or share exchange is expected to become effective or close, and the date as of which it is expected that holders of the Common Stock of record shall be entitled to exchange their Common Stock for securities, cash or other property deliverable upon such reclassification, consolidation, merger, sale, transfer or share exchange; provided that the failure to deliver such notice or any defect therein or in the delivery thereof shall not affect the validity of the corporate action required to be specified in such notice. To the extent that any notice provided in this Warrant constitutes, or contains, material, non-public information regarding the Company or any of the Subsidiaries, the Company shall simultaneously file such notice with the Commission pursuant to a Current Report on Form 8-K, except in the case where the filing of such Form 8-K would reasonably impair the Company's ability to conduct a financing pursuant to the applicable provisions of the Securities Act or the rules and regulations thereunder, in which case the Company shall afford the Holder (in writing, which may be undertaken via email) the opportunity to not receive such notice. The Holder shall remain entitled to exercise this Warrant during the period commencing on the date of such notice to the effective date of the event triggering such notice except as may otherwise be expressly set forth herein.

(h) Qualified Re-IPO. Notwithstanding the foregoing, if, prior to the full exercise of this Warrant, the Company completes a Qualified Re-IPO (as defined in the Purchase Agreement), and the exercise price of any warrant to purchase common stock issued to investors in the Qualified Re-IPO (the “Re-IPO Warrant Exercise Price”) is less than the Exercise Price then in effect, then the Exercise Price shall be adjusted downward on a one-time basis to equal to the Re-IPO Warrant Exercise Price, which revised exercise price may be further adjusted pursuant to the terms hereof.

(i) Pre-Qualified Re-IPO Financings. Notwithstanding the foregoing, if, prior to the full exercise of this Warrant and prior to the consummation of a Qualified Re-IPO, the Company sells securities at a price less than the Exercise Price then in effect, or issues derivative securities with an exercise or conversion price below less than the Exercise Price then in effect, the Exercise Price shall be adjusted downward to equal such lesser sales or exercise or conversion price; provided, however, that the foregoing shall not apply to an Exempt Issuance (as defined in the Purchase Agreement).

Section 4. Transfer of Warrant.

a) Transferability. Subject to compliance with any applicable securities laws and the conditions set forth in Section 4(d) hereof and to the provisions of Section 4.1 of the Purchase Agreement, this Warrant and all rights hereunder (including, without limitation, any registration rights) are transferable, in whole or in part, upon surrender of this Warrant at the principal office of the Company or its designated agent, together with a written assignment of this Warrant substantially in the form attached hereto duly executed by the Holder or its agent or attorney and funds sufficient to pay any transfer taxes payable upon the making of such transfer. Upon such surrender and, if required, such payment, the Company shall execute and deliver a new Warrant or Warrants in the name of the assignee or assignees, as applicable, and in the denomination or denominations specified in such instrument of assignment, and shall issue to the assignor a new Warrant evidencing the portion of this Warrant not so assigned, and this Warrant shall promptly be cancelled. Notwithstanding anything herein to the contrary, the Holder shall not be required to physically surrender this Warrant to the Company unless the Holder has assigned this Warrant in full, in which case, the Holder shall surrender this Warrant to the Company within three (3) Trading Days of the date on which the Holder delivers an assignment form to the Company assigning this Warrant in full. The Warrant, if properly assigned in accordance herewith, may be exercised by a new holder for the purchase of Warrant Shares without having a new Warrant issued.

b) New Warrants. This Warrant may be divided or combined with other Warrants upon presentation hereof at the aforesaid office of the Company, together with a written notice specifying the names and denominations in which new Warrants are to be issued, signed by the Holder or its agent or attorney. Subject to compliance with Section 4(a), as to any transfer which may be involved in such division or combination, the Company shall execute and deliver a new Warrant or Warrants in exchange for the Warrant or Warrants to be divided or combined in accordance with such notice. All Warrants issued on transfers or exchanges shall be dated the original Issue Date and shall be identical with this Warrant except as to the number of Warrant Shares issuable pursuant thereto.

c) Warrant Register. The Company shall register this Warrant, upon records to be maintained by the Company for that purpose (the “Warrant Register”), in the name of the record Holder hereof from time to time. The Company may deem and treat the registered Holder of this Warrant as the absolute owner hereof for the purpose of any exercise hereof or any distribution to the Holder, and for all other purposes, absent actual notice to the contrary.

d) Transfer Restrictions. If, at the time of the surrender of this Warrant in connection with any transfer of this Warrant, the transfer of this Warrant shall not be either (i) registered pursuant to an effective registration statement under the Securities Act and under applicable state securities or blue sky laws or (ii) eligible for resale without volume or manner-of-sale restrictions or current public information requirements pursuant to Rule 144, the Company may require, as a condition of allowing such transfer, that the Holder or transferee of this Warrant, as the case may be, comply with the provisions of Section 5.7 of the Purchase Agreement.

e) Representation by the Holder. The Holder, by the acceptance hereof, represents and warrants that it is acquiring this Warrant and, upon any exercise hereof, will acquire the Warrant Shares issuable upon such exercise, for its own account and not with a view to or for distributing or reselling such Warrant Shares or any part thereof in violation of the Securities Act or any applicable state securities law, except pursuant to sales registered or exempted under the Securities Act.

Section 5. Miscellaneous.

a) Reserved.

b) No Rights as Security Holder; No Exercise Settlement in Cash. This Warrant does not entitle the Holder to any voting rights, dividends or other rights as a security holder of the Company prior to the exercise hereof as set forth in Section 2(c)(i), except as expressly set forth in Section 3. Without limiting any rights of a Holder to receive cash payments pursuant to Section 2(c)(i), Section 2(c)(iv) and/or Section 3(d) herein, in no event shall the Company be required to net cash settle an exercise of this Warrant.

c) Loss, Theft, Destruction or Mutilation of Warrant. The Company covenants that upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Warrant or any stock certificate relating to the Warrant Shares, and in case of loss, theft or destruction, of indemnity or security reasonably satisfactory to it (which, in the case of the Warrant, shall not include the posting of any bond), and upon surrender and cancellation of such Warrant or stock certificate, if mutilated, the Company will make and deliver a new Warrant or stock certificate of like tenor and dated as of such cancellation, in lieu of such Warrant or stock certificate.

d) Saturdays, Sundays, Holidays, etc. If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall not be a Business Day, then, such action may be taken or such right may be exercised on the next succeeding Business Day.

e) Authorized Shares.

(i) The Company covenants that, during the period the Warrant is outstanding, it will reserve from its authorized and unissued shares of Common Stock a sufficient number of shares to provide for the issuance of the Warrant Shares upon the exercise of any rights under this Warrant. The Company further covenants that its issuance of this Warrant shall constitute full authority to its officers who are charged with the duty of issuing the necessary Warrant Shares upon the exercise of the rights under this Warrant. The Company will take all such reasonable action as may be necessary to assure that such Warrant Shares may be issued as provided herein without violation of any applicable law or regulation, or of any requirements of the Trading Market upon which the Warrant Shares may be listed. The Company covenants that all Warrant Shares which may be issued upon the exercise of the rights represented by this Warrant will, upon exercise of the rights represented by this Warrant, be duly authorized, validly issued, fully paid and nonassessable and free from all taxes, liens and charges created by the Company in respect of the issue thereof (other than taxes in respect of any transfer occurring contemporaneously with such issue).

(ii) Except and to the extent as waived or consented to by the Holder, the Company shall not by any action, including, without limitation, amending its certificate of incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such actions as may be necessary or appropriate to protect the rights of Holder as set forth in this Warrant against impairment. Without limiting the generality of the foregoing, the Company will (i) not increase the par value of any Warrant Shares above the amount payable therefor upon such exercise immediately prior to such increase in par value, (ii) take all such action as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and nonassessable Warrant Shares upon the exercise of this Warrant and (iii) use commercially reasonable efforts to obtain all such authorizations, exemptions or consents from any public regulatory body having jurisdiction thereof, as may be, necessary to enable the Company to perform its obligations under this Warrant.

(iii) Before taking any action which would result in an adjustment in the number of Warrant Shares for which this Warrant is exercisable, the Company shall obtain all such authorizations or exemptions thereof, or consents thereto, as may be necessary from any public regulatory body or bodies having jurisdiction thereof.

f) Governing Law. All questions concerning the construction, validity, enforcement and interpretation of this Warrant shall be governed by and construed and enforced in accordance with the internal laws of the State of New York, without regard to

the principles of conflicts of law thereof. Each party agrees that all legal proceedings concerning the interpretations, enforcement and defense of the transactions contemplated by this Warrant (whether brought against a party hereto or their respective affiliates, directors, officers, shareholders, partners, members, employees or agents) shall be commenced exclusively in the state and federal courts sitting in the City of New York. Each party hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in the City of New York, Borough of Manhattan for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein, and hereby irrevocably waives, and agrees not to assert in any suit, action or proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such suit, action or proceeding is improper or is an inconvenient venue for such proceeding. Each party hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Warrant and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any other manner permitted by law. If either party shall commence an action, suit or proceeding to enforce any provisions of this Warrant, the prevailing party in such action, suit or proceeding shall be reimbursed by the other party for their reasonable attorneys' fees and other costs and expenses incurred with the investigation, preparation and prosecution of such action or proceeding.

g) Restrictions. The Holder acknowledges that the Warrant shares and the underlying shares of Common Stock acquired upon the exercise of this Warrant, if not registered, will have restrictions upon resale imposed by state and federal or foreign securities laws.

h) Nonwaiver and Expenses. No course of dealing or any delay or failure to exercise any right hereunder on the part of Holder shall operate as a waiver of such right or otherwise prejudice the Holder's rights, powers or remedies. Without limiting any other provision of this Warrant or the Purchase Agreement, if the Company willfully and knowingly fails to comply with any provision of this Warrant, which results in any material damages to the Holder, the Company shall pay to the Holder such amounts as shall be sufficient to cover any costs and expenses including, but not limited to, reasonable attorneys' fees, including those of appellate proceedings, incurred by the Holder in collecting any amounts due pursuant hereto or in otherwise enforcing any of its rights, powers or remedies hereunder.

i) Notices. Any notice, request or other document required or permitted to be given or delivered to the Holder by the Company shall be delivered in accordance with the notice provisions of the Purchase Agreement.

j) Limitation of Liability. No provision hereof, in the absence of any affirmative action by the Holder to exercise this Warrant to receive Warrant Shares, and no enumeration herein of the rights or privileges of the Holder, shall give rise to any liability of the Holder for the purchase price of any shares of Common Stock or as a stockholder of the Company, whether such liability is asserted by the Company or by creditors of the Company.

k) Remedies. The Holder, in addition to being entitled to exercise all rights granted by law, including recovery of damages, will be entitled to specific performance of its rights under this Warrant. The Company agrees that monetary damages would not be adequate compensation for any loss incurred by reason of a breach by it of the provisions of this Warrant and hereby agrees to waive and not to assert the defense in any action for specific performance that a remedy at law would be adequate.

l) Successors and Assigns. Subject to applicable securities laws, this Warrant and the rights and obligations evidenced hereby shall inure to the benefit of and be binding upon the successors and permitted assigns of the Company and the successors and permitted assigns of Holder. The provisions of this Warrant are intended to be for the benefit of any Holder from time to time of this Warrant and shall be enforceable by the Holder or holder of Warrant Shares.

m) Amendment. This Warrant may be modified or amended or the provisions hereof waived with the written consent of the Company and the Holder.

n) Severability. Wherever possible, each provision of this Warrant shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Warrant shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provisions or the remaining provisions of this Warrant.

o) Headings. The headings used in this Warrant are for the convenience of reference only and shall not, for any purpose, be deemed a part of this Warrant.

(Signature Page Follows)

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IN WITNESS WHEREOF, the Company has caused this Warrant B to be executed by its officer thereunto duly authorized as of the date first above indicated.

BASANITE, INC.

By: /s/ Simon R. Kay

Name: Simon R. Kay

Title: Acting Interim President and CEO

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NOTICE OF EXERCISE

TO: BASANITE, INC.

(1) The undersigned hereby elects to purchase _____ Warrant Shares of the Company pursuant to the terms of the attached Warrant B (only if exercised in full), and tenders herewith payment of the exercise price in full, together with all applicable transfer taxes, if any.

(2) Payment shall take the form in lawful money of the United States. [if cashless exercise is permitted, this notice shall state here the number of Warrant Shares to be issued and the calculation therefor pursuant to the terms of the Warrant A]

(3) Please issue said Warrant Shares in the name of the undersigned or in such other name as is specified below:

The Warrant Shares shall be delivered to the following DWAC Account Number:

(4) Accredited Investor/Non U.S. Person. The undersigned is either (i) an “accredited investor” as defined in Regulation D promulgated under the Securities Act of 1933, as amended (the “Securities Act”), or (ii) a Non U.S. Person as defined under Regulation S promulgated under the Securities Act. To the extent that the undersigned is a non U.S. Person, the undersigned (x) is not acquiring the securities for the account or benefit of any U.S. Person, (y) is not in the United States and (z) is not a “distributor” (as defined in Regulation S promulgated under the Securities Act).

[SIGNATURE OF HOLDER]

Name of Investing Entity: _____

Signature of Authorized Signatory of Investing Entity: _____

Name of Authorized Signatory: _____

Title of Authorized Signatory: _____

Date:

EXHIBIT B

ASSIGNMENT FORM

(To assign the foregoing Warrant A, execute this form and supply required information. Do not use this form to exercise Warrant Shares.)

FOR VALUE RECEIVED, the foregoing Warrant B and all rights evidenced thereby are hereby assigned to

Name:

(Please Print)

Address:

(Please Print)

Phone Number:

Email Address:

Dated: _____, _____

Holder's Signature: _____

Holder's Address: _____

SECURITIES PURCHASE AGREEMENT

This Securities Purchase Agreement (this “Agreement”) is dated as of August 17, 2021, between Basanite, Inc., a company organized under the laws of Nevada (the “Company”), and each purchaser identified on the signature pages hereto (each, including its successors and assigns, a “Purchaser” and collectively, the “Purchasers”).

WHEREAS, subject to the terms and conditions set forth in this Agreement and pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended (the “Securities Act”), and Rule 506(b) promulgated thereunder, the Company desires to issue and sell to each Purchaser, and each Purchaser, severally and not jointly, desires to purchase from the Company, securities of the Company as more fully described in this Agreement (the “Offering”).

NOW, THEREFORE, IN CONSIDERATION of the mutual covenants contained in this Agreement, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Company and each Purchaser agree as follows:

ARTICLE I. DEFINITIONS

1.1 Definitions. In addition to the terms defined elsewhere in this Agreement, for all purposes of this Agreement, the following terms have the meanings set forth in this Section 1.1:

“Acquiring Person” shall have the meaning ascribed to such term in Section 4.6.

“Action” shall have the meaning ascribed to such term in Section 3.1(j).

“Affiliate” means any Person that, directly or indirectly through one or more intermediaries, controls or is controlled by or is under common control with a Person, as such terms are used in and construed under Rule 405 under the Securities Act.

“Approved Market” any tier of the Nasdaq Stock Market, the New York Stock Exchange or the NYSE American.

“Board of Directors” means the board of directors of the Company.

“Business Day” means any day except any Saturday, any Sunday, any day which is a federal legal holiday in the United States or any day on which banking institutions in the State of New York are authorized or required by law or other governmental action to close; provided, however, for clarification, banking institutions in the State of New York shall not be deemed to be authorized or required by law to remain closed due to “stay at home”, “shelter-in-place”, “non-essential employee” or any other similar orders or restrictions or the closure of any physical branch locations at the direction of any governmental authority so long as the electronic funds transfer systems (including for wire transfers) of banking institutions in the State of New York or are generally are open for use by customers on such day.

“Closing” means the closing of the purchase and sale of the Units pursuant to Section 2.1.

“Closing Date” has the meaning set forth in Section 2.1(b).

“Commission” means the United States Securities and Exchange Commission.

“Common Stock” means the common stock of the Company, \$0.001 par value per share, and any other class of securities into which such securities may hereafter be reclassified or changed.

“Common Stock Equivalents” means any securities of the Company or the Subsidiaries which would entitle the holder thereof to acquire at any time Common Stock, including, without limitation, any debt, preferred stock, right, option, warrant or other instrument that is at any time convertible into or exercisable or exchangeable for, or otherwise entitles the holder thereof to receive, Common Stock.

“Company Counsel” means Ellenoff Grossman & Schole LLP, with offices located at 1345 Avenue of the Americas, New York, NY 10105.

“Disclosure Schedules” means the Disclosure Schedules of the Company delivered concurrently herewith.

“Disclosure Time” means by 9:00 a.m. (New York City time) on the first Trading Day following the final Closing of the transactions contemplated by this Agreement.

“Effective Date” means the date the Resale Registration is declared effective by the Commission.

“Escrow Agent” means Continental Stock Transfer & Trust Company, with offices at 1 State Street, 30th Floor, New York, NY 10004.

“Escrow Agreement” means the escrow agreement entered into, by and among the Company, the Escrow Agent and the Placement Agent pursuant to which the Purchasers shall deposit Subscription Amounts with the Escrow Agent to be applied to the transactions contemplated hereunder.

“Evaluation Date” shall have the meaning ascribed to such term in Section 3.1(s).

“Exchange Act” means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

“Executive Summary” means that certain Executive Summary/Risk Factor Booklet provided to the Purchasers in connection with the Offering.

“Exempt Issuance” means the issuance of (a) shares of Common Stock or options to employees, officers or directors of the Company pursuant to any stock or option plan duly adopted for such purpose, by a majority of the non-employee members of the Board of Directors or a majority of the members of a committee of non-employee directors established for such purpose for services rendered to the Company, (b) securities upon the exercise or exchange of or conversion of any Securities issued hereunder, warrants to the Placement Agent in connection with the transactions pursuant to this Agreement and/or other securities exercisable or exchangeable for or convertible into shares of Common Stock issued and outstanding on the date of this Agreement, provided that such securities have not been amended since the date of this Agreement to increase the number of such securities or to decrease the exercise price, exchange price or conversion price of such securities (other than in connection with stock splits or combinations) or to extend the term of such securities, (c) securities issued pursuant to acquisitions or strategic transactions approved by a majority of the disinterested directors of the Company, provided that such securities are issued as “restricted securities” (as defined in Rule 144), and provided that any such issuance shall only be to a Person (or to the equityholders of a Person) which is, itself or through its subsidiaries, an operating company or an owner of an asset in a business synergistic with the business of the Company and shall provide to the Company additional benefits in addition to the investment of funds, but shall not include a transaction in which the Company is issuing securities primarily for the purpose of raising capital or to an entity whose primary business is investing in securities, and (d) the Qualified Re-IPO.

“FCPA” means the Foreign Corrupt Practices Act of 1977, as amended.

“GAAP” shall have the meaning ascribed to such term in Section 3.1(h).

“Indebtedness” shall have the meaning ascribed to such term in Section 3.1(bb).

“Intellectual Property Rights” shall have the meaning ascribed to such term in Section 3.1(o).

“Legend Removal Date” shall have the meaning ascribed to such term in Section 4.1(c).

“Liens” means a lien, charge, pledge, security interest, encumbrance, right of first refusal, preemptive right or other restriction.

“Material Adverse Effect” shall have the meaning assigned to such term in Section 3.1(b).

“Material Permits” shall have the meaning ascribed to such term in Section 3.1(m).

“Per Unit Purchase Price” equals \$0.275, subject to adjustment for reverse and forward stock splits, stock dividends, stock combinations and other similar transactions of the Common Stock that occur after the date of this Agreement

“Person” means an individual or corporation, partnership, trust, incorporated or unincorporated association, joint venture, limited liability company, joint stock company, government (or an agency or subdivision thereof) or other entity of any kind.

“Placement Agent” means Aegis Capital Corp.

“Placement Agent Agreement” means, collectively, that certain placement agent agreement dated as of the date hereof between the Company and the Placement Agent.

“Proceeding” means an action, claim, suit, investigation or proceeding (including, without limitation, an informal investigation or partial proceeding, such as a deposition), whether commenced or threatened.

“Public Information Failure” shall have the meaning ascribed to such term in Section 4.5(b).

“Public Information Failure Payments” shall have the meaning ascribed to such term in Section 4.5(b).

“Purchaser Party” shall have the meaning ascribed to such term in Section 4.10.

“Qualified Re-IPO” means a underwritten firm commitment public offering of the Company’s Common Stock under the Securities Act, provided that the gross proceeds to the Company in such offering exceed \$15 million and pursuant to which the Common Stock is listed for trading on an Approved Market.

“Registration Rights” shall have the meaning ascribed to such term in Section 4.16.

“Registration Statement” means a registration statement on Form S-1, or on Form S-3, if eligible, meeting the requirements set forth in the Registration Rights and covering the resale of the Shares and the Warrant Shares by each Purchaser as provided for in the Registration Rights.

“Required Approvals” shall have the meaning ascribed to such term in Section 3.1(e).

“Rule 144” means Rule 144 promulgated by the Commission pursuant to the Securities Act, as such Rule may be amended or interpreted from time to time, or any similar rule or regulation hereafter adopted by the Commission having substantially the same purpose and effect as such Rule.

“Rule 424” means Rule 424 promulgated by the Commission pursuant to the Securities Act, as such Rule may be amended or interpreted from time to time, or any similar rule or regulation hereafter adopted by the Commission having substantially the same purpose and effect as such Rule.

“SEC Reports” shall have the meaning ascribed to such term in Section 3.1(h).

“Securities” means the Shares, the Warrants, and the Warrant Shares.

“Securities Act” means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

“Selling Shareholder Questionnaire” means a customary selling shareholder questionnaire with respect to the registration of Purchaser’s Shares and Warrant Shares under the Securities Act pursuant to the Registration Rights.

“Shares” means the shares of Common Stock issued or issuable to each Purchaser pursuant to this Agreement, but excluding the Warrant Shares.

“Short Sales” means all “short sales” as defined in Rule 200 of Regulation SHO under the Exchange Act (but shall not be deemed to include locating and/or borrowing Ordinary Shares and/or ADSs).

“Sophisticated Investor” means a Person who is not an accredited investor, within the meaning of Rule 501 under the Securities Act, and has such knowledge and experience in financial and business matters that he or she is capable of evaluating the merits and risks of the prospective investment, or the Company reasonably believes immediately prior to making any sale that such purchaser comes within this description.

“Subscription Amount” means, as to each Purchaser, the aggregate amount to be paid for the Units purchased hereunder as specified below such Purchaser’s name on the signature page of this Agreement and next to the heading “Subscription Amount,” in United States dollars and in immediately available funds.

“Subsequent Financing” shall have the meaning ascribed to such term in Section 4.17.

“Subsidiary” means any subsidiary of the Company as set forth on Schedule 3.1(a) and shall, where applicable, also include any direct or indirect subsidiary of the Company formed or acquired after the date hereof.

“Trading Day” means a day on which the principal Trading Market is open for trading.

“Trading Market” means any of the following markets or exchanges on which the Common Stock are listed or quoted for trading on the date in question: the NYSE American, the Nasdaq Capital Market, the Nasdaq Global Market, the Nasdaq Global Select Market or the New York Stock Exchange, OTCQB or OTCQX (or any successors to any of the foregoing).

“Transaction Documents” means this Agreement, the Warrants, the Placement Agent Agreement, and all exhibits and schedules thereto and hereto and any other documents or agreements executed in connection with the transactions contemplated hereunder.

“Transfer Agent” means Empire Stock Transfer, Inc., the current transfer agent of the Company and any successor transfer agent of the Company.

“Units” means units of the Company, with each unit comprised of (i) one (1) Share, (ii) a Warrant A to purchase one (1) share of Common Stock and (ii) a Warrant B to purchase one (1) share of Common Stock.

“Warrants” means the Warrant As and the Warrant Bs, collectively.

“Warrant A” means a warrant to purchase Common Stock delivered to the Purchasers at the Closing in accordance with Section 2.2(a) hereof, which Warrant A shall be exercisable immediately upon issuance and have a term of exercise equal to five years from the initial exercise date, in the form of Exhibit A attached hereto.

“Warrant B” means a warrant to purchase Common Stock delivered to the Purchasers at the Closing in accordance with Section 2.2(a) hereof, which Warrant B shall be exercisable immediately upon issuance, have a term of exercise equal to five years from the initial exercise date and have a call feature, in the form of Exhibit B attached hereto.

“Warrant Shares” means the shares of Common Stock issuable upon exercise of the Warrants.

ARTICLE II. PURCHASE AND SALE

2.1 Closing.

(a) Purchase of Units; No Minimum Offering; Over-Subscription Option. Subject to the satisfaction (or waiver) of the terms and conditions of this Agreement, each Purchaser agrees, severally and not jointly, to purchase at Closing (as defined

below), and the Company agrees to sell and issue to each Purchaser, severally and not jointly, at Closing, Units in principal amounts set forth on the signature pages attached hereto, attached hereto as Annex A, for each Purchaser affixed hereto. On the Closing Date (as defined below), upon the terms and subject to the conditions set forth herein, substantially concurrent with the execution and delivery of this Agreement by the parties hereto, the Company agrees to sell, and the Purchasers, severally and not jointly, agree to purchase, up to an aggregate of \$5,000,000 of Units. Each Purchaser acknowledges that that: (i) the Offering is being conducted on a “best efforts/no minimum basis” and that, therefore, the Company makes no representation or guarantee that \$5,000,000 of Units will be sold in the Offering; (ii) no actual Units will be issued in connection with the Offering, with each Purchaser only receiving Shares and Warrants at the applicable Closing and (iii) the Company shall have the option, in its discretion, increase the size of the Offering by an addition \$5,000,000 worth of Units without notice to or approval of the Purchasers.

(b) Ownership Limitation. Notwithstanding anything to the contrary herein and the Purchaser’s Subscription Amount set forth on the signature pages attached hereto, the number of Shares purchased by a Purchaser (and its Affiliates) hereunder shall not, when aggregated with all other Shares beneficially owned by such Purchaser (and its Affiliates) at such time, result in such Purchaser beneficially owning (as determined in accordance with Section 13(d) of the Exchange Act) in excess of 9.99% of the number of Shares issued and outstanding immediately after giving effect to the issuance of the Securities on the Closing Date (the “Beneficial Ownership Maximum”), and such Purchaser’s Subscription Amount, to the extent it would otherwise cause such Purchaser to exceed the Beneficial Ownership Maximum immediately prior to the Closing, shall be conditioned upon the issuance of Shares at the Closing to the other Purchasers signatory hereto. To the extent that a Purchaser’s beneficial ownership of the Shares would otherwise be deemed to exceed the Beneficial Ownership Maximum, such Purchasers’ Subscription Amount shall automatically be reduced as necessary in order to comply with this paragraph.

(c) Closing Date. The initial closing of the purchase and sale of the Units (the “Closing”) shall take place on the date when all of the Transaction Documents have been executed and delivered by the applicable parties and the other conditions to the Closing set forth in Sections 2.2 and 2.3 have been satisfied or waived (or such later date as is mutually agreed to by the Company and the Purchaser(s)). There may be multiple Closings until the earlier of the Final Termination Date (as defined below) or such time as purchase for the sale of the Units are accepted (the date of any such Closing is hereinafter referred to as a “Closing Date”). Each Closing shall occur on a Closing Date remotely via the electronic exchange of documents and signatures. The Offering shall terminate on or before August 31, 2021 (the “Termination Date”). The Termination Date may be extended with the agreement of the Company and the Placement Agent for up to an additional 30 days, which extended Termination Date is referred to herein as the “Final Termination Date”. The Company reserves the right to terminate the Offering in its discretion following in the initial Closing.

(c) Escrow; Form of Payment. Each Purchaser shall deliver to the Escrow Agent, via wire transfer or a certified check, immediately available funds equal to such Purchaser’s Subscription Amount as set forth on the signature pages hereto executed by such Purchaser, and the Company shall deliver to each Purchaser its respective Shares and Warrants, as determined pursuant to Section 2.2(a), and the Company and each Purchaser shall deliver the other items set forth in Section 2.2 deliverable at the Closing.

2.2 Deliveries.

(a) On or prior to the Closing Date, the Company shall deliver or cause to be delivered to each Purchaser the following:

(i) this Agreement duly executed by the Company;

(ii) a copy of the irrevocable instructions to the Transfer Agent instructing the Transfer Agent to deliver, on an expedited basis, a certificate evidencing a number of Shares equal to such Purchaser’s Subscription Amount divided by the Per Share Purchase Price, registered in the name of such Purchaser;

(iii) (A) a Warrant A registered in the name of such Purchaser to purchase up to a number of shares of Common Stock equal to 100% of such Purchaser’s Shares, with an exercise price equal to \$0.33 subject to adjustment therein and (B) a Warrant B registered in the name of such Purchaser to purchase up to a number of shares of Common Stock equal to 100% of such Purchaser’s Shares, with an exercise price equal to \$0.33 subject to adjustment therein;

(iv) a legal opinion of Company Counsel, in customary form reasonably acceptable to the Placement Agent and the Purchasers; and

(vi) the Company shall have provided the Placement Agent and Escrow Agent with the Company's wire instructions, on Company letterhead and executed by the Chief Executive Officer or Chief Financial Officer.

(b) On or prior to the Closing Date, each Purchaser shall deliver or cause to be delivered to the Company or the Escrow Agent, as applicable, the following:

(i) this Agreement duly executed by such Purchaser; and

(ii) the Escrow Agent, such Purchaser's Subscription Amount by wire transfer to the account specified in the Escrow Agreement.

(c) Within 10 days of the applicable Closing Date, each Purchaser's complete and deliver to the Company and Company Counsel a duly executed Selling Shareholder Questionnaire.

2.3 Closing Conditions.

(a) The obligations of the Company hereunder in connection with the Closing are subject to the following conditions being met:

(i) the accuracy in all material respects (or, to the extent representations or warranties are qualified by materiality or Material Adverse Effect, in all respects) when made and on the Closing Date of the representations and warranties of the Purchasers contained herein (unless as of a specific date therein in which case they shall be accurate as of such date);

(ii) all obligations, covenants and agreements of each Purchaser required to be performed at or prior to the Closing Date shall have been performed; and

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(iii) the delivery by each Purchaser of the items set forth in Section 2.2(b) of this Agreement.

(b) The respective obligations of the Purchasers hereunder in connection with the Closing are subject to the following conditions being met:

(i) the accuracy in all material respects (or, to the extent representations or warranties are qualified by materiality or Material Adverse Effect, in all respects) when made and on the Closing Date of the representations and warranties of the Company contained herein (unless as of a specific date therein in which case they shall be accurate as of such date);

(ii) all obligations, covenants and agreements of the Company required to be performed at or prior to the Closing Date shall have been performed;

(iii) the delivery by the Company of the items set forth in Section 2.2(a) of this Agreement;

(iv) there shall have been no Material Adverse Effect with respect to the Company since the date hereof; and

(v) from the date hereof to the Closing Date, trading in the Common Stock shall not have been suspended by the Commission or any Trading Market and, at any time prior to the Closing Date, trading in securities generally as reported by Bloomberg L.P. shall not have been suspended or limited, or minimum prices shall not have been established on securities whose trades are reported by such service, or on any Trading Market, nor shall a banking moratorium have been declared either by the United States or New York State authorities nor shall there have occurred any material outbreak or escalation of hostilities or other national or international calamity of such magnitude in its effect on, or any material adverse change in, any financial market which, in each case, in the reasonable judgment of such Purchaser, makes it impracticable or inadvisable to purchase the Securities at the Closing.

**ARTICLE III.
REPRESENTATIONS AND WARRANTIES**

3.1 Representations and Warranties of the Company. Except as set forth in the Disclosure Schedules, which Disclosure Schedules shall be deemed a part hereof and shall qualify any representation or otherwise made herein to the extent of the disclosure contained in the corresponding section of the Disclosure Schedules, the Company hereby makes the following representations and warranties to each Purchaser:

(a) Subsidiaries. All of the direct and indirect subsidiaries of the Company are set forth on Schedule 3.1(a). The Company owns, directly or indirectly, all of the capital stock or other equity interests of each Subsidiary free and clear of any Liens, and all of the issued and outstanding shares of capital stock of each Subsidiary are validly issued and are fully paid, non-assessable and free of preemptive and similar rights to subscribe for or purchase securities. If the Company has no subsidiaries, all other references to the Subsidiaries or any of them in the Transaction Documents shall be disregarded.

(b) Organization and Qualification. The Company and each of the Subsidiaries is an entity duly incorporated or otherwise organized, validly existing, and, if applicable under the laws of the jurisdiction in which they are formed, in good standing under the laws of the jurisdiction of its incorporation or organization, with the requisite power and authority to own and use its properties and assets and to carry on its business as currently conducted. Neither the Company nor any Subsidiary is in violation nor default of any of the provisions of its respective certificate or articles of incorporation, bylaws or other organizational or charter documents. Each of the Company and the Subsidiaries is duly qualified to conduct business and is in good standing as a foreign corporation or other entity in each jurisdiction in which the nature of the business conducted or property owned by it makes such qualification necessary, except where the failure to be so qualified or in good standing, as the case may be, could not have or reasonably be expected to result in: (i) a material adverse effect on the legality, validity or enforceability of any Transaction Document, (ii) a material

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adverse effect on the results of operations, assets, business, prospects or condition (financial or otherwise) of the Company and the Subsidiaries, taken as a whole, or (iii) a material adverse effect on the Company's ability to perform in any material respect on a timely basis its obligations under any Transaction Document (any of (i), (ii) or (iii), a "Material Adverse Effect") and no Proceeding has been instituted in any such jurisdiction revoking, limiting or curtailing or seeking to revoke, limit or curtail such power and authority or qualification.

(c) Authorization; Enforcement. The Company has the requisite corporate power and authority to enter into and to consummate the transactions contemplated by this Agreement and each of the other Transaction Documents and otherwise to carry out its obligations hereunder and thereunder. The execution and delivery of this Agreement and each of the other Transaction Documents by the Company and the consummation by it of the transactions contemplated hereby and thereby have been duly authorized by all necessary action on the part of the Company and no further action is required by the Company, the Board of Directors or the Company's shareholders in connection herewith or therewith other than in connection with the Required Approvals. This Agreement and each other Transaction Document to which it is a party has been (or upon delivery will have been) duly executed by the Company and, when delivered in accordance with the terms hereof and thereof, will constitute the valid and binding obligation of the Company enforceable against the Company in accordance with its terms, except (i) as limited by general equitable principles and applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally, (ii) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies and (iii) insofar as indemnification and contribution provisions may be limited by applicable law.

(d) No Conflicts. Except as disclosed on Schedule 3.1(d), the execution, delivery and performance by the Company of this Agreement and the other Transaction Documents to which it is a party, the issuance and sale of the Securities and the consummation by it of the transactions contemplated hereby and thereby do not and will not (i) conflict with or violate any provision of the Company's or any Subsidiary's certificate or articles of incorporation, bylaws or other organizational or charter documents, or (ii) conflict with, or constitute a default (or an event that with notice or lapse of time or both would become a default) under, result in the creation of any Lien upon any of the properties or assets of the Company or any Subsidiary, or give to others any rights of termination, amendment, anti-dilution or similar adjustments, acceleration or cancellation (with or without notice, lapse of time or both) of, any agreement, credit facility, debt or other instrument (evidencing a Company or Subsidiary debt or otherwise) or other understanding to which the Company or any Subsidiary is a party or by which any property or asset

of the Company or any Subsidiary is bound or affected, or (iii) subject to the Required Approvals, conflict with or result in a violation of any law, rule, regulation, order, judgment, injunction, decree or other restriction of any court or governmental authority to which the Company or a Subsidiary is subject (including federal and state securities laws and regulations), or by which any property or asset of the Company or a Subsidiary is bound or affected; except in the case of each of clauses (ii) and (iii), such as could not have or reasonably be expected to result in a Material Adverse Effect.

(e) Filings, Consents and Approvals. Except as set forth on Schedule 3.1(e), the Company is not required to obtain any consent, waiver, authorization or order of, give any notice to, or make any filing or registration with, any court or other federal, state, local or other governmental authority or other Person in connection with the execution, delivery and performance by the Company of the Transaction Documents, other than: (i) the filings required pursuant to Section 4.5 of this Agreement, (ii) the filing with the Commission pursuant to the Registration Rights, (iii) the notice and/or application(s) to each applicable Trading Market for the issuance and sale of the Securities and the listing of the Shares and Warrant Shares for trading thereon in the time and manner required thereby, and (iv) the filing of Form D with the Commission and such filings as are required to be made under applicable state securities laws (collectively, the “Required Approvals”).

(f) Issuance of the Securities. The Securities are duly authorized and, when issued and paid for in accordance with the applicable Transaction Documents, will be duly and validly issued, fully paid and nonassessable, free and clear of all Liens imposed by the Company other than restrictions on transfer provided for in the Transaction Documents. The Warrant Shares, when issued in accordance with the terms of the Transaction Documents, will be validly issued, fully paid and nonassessable, free and clear of all Liens imposed by the Company other than restrictions on transfer provided for in the Transaction Documents. The Company has reserved from its duly authorized capital stock the maximum number of Common Stock issuable pursuant to this Agreement and the Warrants.

(g) Capitalization. The capitalization of the Company as of the date hereof is as set forth in the SEC Reports. Except as disclosed on Schedule 3.1(g), the Company has not issued any capital stock since its most recently filed periodic report under the Exchange Act, other than pursuant to the exercise of employee stock options under the Company’s stock option plans, the issuance of Common Stock to employees pursuant to the Company’s employee stock purchase plans and pursuant to the conversion and/or exercise of Common Stock Equivalents outstanding. No Person has any right of first refusal, preemptive right, right of participation, or any similar right to participate in the transactions contemplated by the Transaction Documents. Except as set forth on Schedule 3.1(g) and except as a result of the purchase and sale of the Securities, there are no outstanding options, warrants, scrip rights to subscribe to, calls or commitments of any character whatsoever relating to, or securities, rights or obligations convertible into or exercisable or exchangeable for, or giving any Person any right to subscribe for or acquire, any shares of Common Stock or the capital stock of any Subsidiary, or contracts, commitments, understandings or arrangements by which the Company or any Subsidiary is or may become bound to issue additional shares of Common Stock or Common Stock Equivalents or capital stock of any Subsidiary. The issuance and sale of the Securities will not obligate the Company to issue Common Stock or other securities to any Person (other than the Purchasers) and will not result in a right of any holder of Company securities to adjust the exercise, conversion, exchange or reset price under any of such securities. There are no outstanding securities or instruments of the Company or any Subsidiary that contain any redemption or similar provisions, and there are no contracts, commitments, understandings or arrangements by which the Company or any Subsidiary is or may become bound to redeem a security of the Company or such Subsidiary. The Company does not have any stock appreciation rights or “phantom stock” plans or agreements or any similar plan or agreement. All of the outstanding shares of capital stock of the Company are duly authorized, validly issued, fully paid and nonassessable, have been issued in compliance with all federal and state securities laws where applicable, and none of such outstanding shares was issued in violation of any preemptive rights or similar rights to subscribe for or purchase securities. Except for the Required Approvals the approval of the Offering and Transaction Documents by the Board of Directors, no further approval or authorization of any shareholder, the Board of Directors or others is required for the issuance and sale of the Securities. There are no shareholders agreements, voting agreements or other similar agreements with respect to the Company’s capital stock to which the Company is a party or, to the knowledge of the Company, between or among any of the Company’s shareholders.

(h) SEC Reports; Financial Statements. Except as set forth on Schedule 3.1(h), the Company has filed all reports, schedules, forms, statements and other documents required to be filed by the Company under the Securities Act and the Exchange Act, including pursuant to Section 13(a) or 15(d) thereof, for the one year preceding the date hereof (or such shorter period as the Company was required by law or regulation to file such material) (the foregoing materials, including the exhibits thereto and documents incorporated by reference therein, being collectively referred to herein as the “SEC Reports”) on a timely basis or has received a valid extension of such time of filing and has filed any such SEC Reports prior to the expiration of any

such extension. As of their respective dates, the SEC Reports complied in all material respects with the requirements of the Securities Act and the Exchange Act, as applicable, and none of the SEC Reports, when filed, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. The financial statements of the Company included in the SEC Reports comply in all material respects with applicable accounting requirements and the rules and regulations of the Commission with respect thereto as in effect at the time of filing. Such financial statements have been prepared in accordance with United States generally accepted accounting principles applied on a consistent basis during the periods involved (“GAAP”), except as may be otherwise specified in such financial statements or the notes thereto and except that unaudited financial statements may not contain all footnotes

required by GAAP, and fairly present in all material respects the financial position of the Company and its consolidated Subsidiaries as of and for the dates thereof and the results of operations and cash flows for the periods then ended, subject, in the case of unaudited statements, to normal, immaterial, year-end audit adjustments.

(i) Material Changes; Undisclosed Events, Liabilities or Developments. Since the date of the latest audited financial statements included within the SEC Reports, except as set forth on Schedule 3.1(i) or in the SEC Reports, (i) there has been no event, occurrence or development that has had or that could reasonably be expected to result in a Material Adverse Effect, (ii) the Company has not incurred any liabilities (contingent or otherwise) other than (A) trade payables and accrued expenses incurred in the ordinary course of business consistent with past practice and (B) liabilities not required to be reflected in the Company’s financial statements pursuant to GAAP or disclosed in filings made with the Commission, (iii) the Company has not altered its method of accounting, (iv) the Company has not declared or made any dividend or distribution of cash or other property to its shareholders or purchased, redeemed or made any agreements to purchase or redeem any shares of its capital stock and (v) the Company has not issued any equity securities to any officer, director or Affiliate, except pursuant to existing Company stock option plans. The Company does not have pending before the Commission any request for confidential treatment of information. Except for the issuance of the Securities contemplated by this Agreement or as set forth in the SEC Reports or on Schedule 3.1(i), no event, liability, fact, circumstance, occurrence or development has occurred or exists or is reasonably expected to occur or exist with respect to the Company or its Subsidiaries or their respective businesses, prospects, properties, operations, assets or financial condition, that would be required to be disclosed by the Company under applicable securities laws at the time this representation is made or deemed made that has not been publicly disclosed at least one (1) Trading Day prior to the date that this representation is made.

(j) Litigation. Except as set forth in the SEC Reports or on Schedule 3.1(j), there is no action, suit, inquiry, notice of violation, proceeding or investigation pending or, to the knowledge of the Company, threatened against or affecting the Company, any Subsidiary or any of their respective properties before or by any court, arbitrator, governmental or administrative agency or regulatory authority (federal, state, county, local or foreign) (collectively, an “Action”). None of the Actions set forth on Schedule 3.1(j), (i) adversely affects or challenges the legality, validity or enforceability of any of the Transaction Documents or the Securities or (ii) could, if there were an unfavorable decision, have or reasonably be expected to result in a Material Adverse Effect. Neither the Company nor any Subsidiary, nor any director or officer thereof, is or has been the subject of any Action involving a claim of violation of or liability under federal or state securities laws or a claim of breach of fiduciary duty. There has not been, and to the knowledge of the Company, there is not pending or contemplated, any investigation by the Commission involving the Company or any current or former director or officer of the Company. The Commission has not issued any stop order or other order suspending the effectiveness of any registration statement filed by the Company or any Subsidiary under the Exchange Act or the Securities Act.

(k) Labor Relations. No labor dispute exists or, to the knowledge of the Company, is imminent with respect to any of the employees of the Company, which could reasonably be expected to result in a Material Adverse Effect. None of the Company’s or its Subsidiaries’ employees is a member of a union that relates to such employee’s relationship with the Company or such Subsidiary, and neither the Company nor any of its Subsidiaries is a party to a collective bargaining agreement, and the Company and its Subsidiaries believe that their relationships with their employees are good. To the knowledge of the Company, no executive officer of the Company or any Subsidiary, is, or is now expected to be, in violation of any material term of any employment contract, confidentiality, disclosure or proprietary information agreement or non-competition agreement, or any other contract or agreement or any restrictive covenant in favor of any third party, and the continued employment of each such executive officer does not subject the Company or any of its Subsidiaries to any liability with respect to any of the foregoing matters. The Company and its Subsidiaries are in compliance with all U.S. federal, state, local and foreign laws and regulations

relating to employment and employment practices, terms and conditions of employment and wages and hours, except where the failure to be in compliance could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(l) Compliance. Neither the Company nor any Subsidiary: (i) is in default under or in violation of (and no event has occurred that has not been waived that, with notice or lapse of time or both, would result in a default by the Company or any Subsidiary under), nor has the Company or any Subsidiary received notice of a claim that it is in default under or that it is in violation of, any indenture, loan or credit agreement or any other agreement or instrument to which it is a party or by which it or any of its properties is bound (whether or not such default or violation has been waived), (ii) is in violation of any judgment, decree or order of any court, arbitrator or other governmental authority or (iii) is or has been in violation of any statute, rule, ordinance or regulation of any governmental authority, including without limitation all foreign, federal, state and local laws relating to taxes, environmental protection, occupational health and safety, product quality and safety and employment and labor matters, except in each case of (i), (ii) and (iii) as could not have or reasonably be expected to result in a Material Adverse Effect.

(m) Environmental Laws. The Company and its Subsidiaries (i) are in compliance with all federal, state, local and foreign laws relating to pollution or protection of human health or the environment (including ambient air, surface water, groundwater, land surface or subsurface strata), including laws relating to emissions, discharges, releases or threatened releases of chemicals, pollutants, contaminants, or toxic or hazardous substances or wastes (collectively, "Hazardous Materials") into the environment, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials, as well as all authorizations, codes, decrees, demands, or demand letters, injunctions, judgments, licenses, notices or notice letters, orders, permits, plans or regulations, issued, entered, promulgated or approved thereunder ("Environmental Laws"); (ii) have received all permits licenses or other approvals required of them under applicable Environmental Laws to conduct their respective businesses; and (iii) are in compliance with all terms and conditions of any such permit, license or approval where in each clause (i), (ii) and (iii), the failure to so comply could be reasonably expected to have, individually or in the aggregate, a Material Adverse Effect.

(n) Regulatory Permits. The Company and the Subsidiaries possess all certificates, authorizations and permits issued by the appropriate federal, state, local or foreign regulatory authorities necessary to conduct their respective businesses as described in the SEC Reports, except where the failure to possess such permits could not reasonably be expected to result in a Material Adverse Effect ("Material Permits"), and neither the Company nor any Subsidiary has received any notice of proceedings relating to the revocation or modification of any Material Permit.

(o) Title to Assets. The Company and the Subsidiaries have good and marketable title in fee simple to all real property owned by them and good and marketable title in all personal property owned by them that is material to the business of the Company and the Subsidiaries, in each case free and clear of all Liens, except for (i) Liens as do not materially affect the value of such property and do not materially interfere with the use made and proposed to be made of such property by the Company and the Subsidiaries and (ii) Liens for the payment of federal, state or other taxes, for which appropriate reserves have been made therefor in accordance with GAAP and, the payment of which is neither delinquent nor subject to penalties. Any real property and facilities held under lease by the Company and the Subsidiaries are held by them under valid, subsisting and enforceable leases with which the Company and the Subsidiaries are in compliance in all material respects.

(p) Intellectual Property. The Company and the Subsidiaries have, or have rights to use, all patents, patent applications, trademarks, trademark applications, service marks, trade names, trade secrets, inventions, copyrights, licenses and other intellectual property rights and similar rights necessary or required for use in connection with their respective businesses as described in the SEC Reports and which the failure to so have could have a Material Adverse Effect (collectively, the "Intellectual Property Rights"). None of, and neither the Company nor any Subsidiary has received a notice (written or otherwise) that any of, the Intellectual Property Rights has expired, terminated or been abandoned, or is expected to expire or terminate or be abandoned, within two (2) years from the date of this Agreement, except as would not reasonably be expected to have a Material Adverse Effect. Neither the Company nor any Subsidiary has received, since the date of the latest audited financial statements included within the SEC Reports, a written notice of a claim or otherwise has any knowledge that the Intellectual Property Rights violate or infringe upon the rights of any Person, except as could not have or reasonably be expected to not have a Material Adverse Effect. To the

knowledge of the Company, all such Intellectual Property Rights are enforceable and there is no existing infringement by another Person of any of the Intellectual Property Rights. The Company and its Subsidiaries have taken reasonable security measures to protect the secrecy, confidentiality and value of all of their intellectual properties, except where failure to do so could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(q) Insurance. Except as set forth on Schedule 3.1(q), the Company and the Subsidiaries are insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as are prudent and customary in the businesses in which the Company and the Subsidiaries are engaged, including, but not limited to, directors and officers insurance coverage. Neither the Company nor any Subsidiary has any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business. Such renewal may result in a significant increase in cost.

(r) Transactions with Affiliates and Employees. Except as set forth in the SEC Reports or on Schedule 3.1(r), none of the officers or directors of the Company or any Subsidiary and, to the knowledge of the Company, none of the employees of the Company or any Subsidiary is presently a party to any transaction with the Company or any Subsidiary (other than for services as employees, officers and directors), including any contract, agreement or other arrangement providing for the furnishing of services to or by, providing for rental of real or personal property to or from providing for the borrowing of money from or lending of money to, or otherwise requiring payments to or from any officer, director or such employee or, to the knowledge of the Company, any entity in which any officer, director, or any such employee has a substantial interest or is an officer, director, trustee, shareholder, member or partner, in each case in excess of \$120,000 other than for (i) payment of salary or consulting fees for services rendered, (ii) reimbursement for expenses incurred on behalf of the Company and (iii) other employee benefits, including stock option agreements under any stock option plan of the Company.

(s) Sarbanes-Oxley; Internal Accounting Controls. Except as set forth on Schedule 3.1(s), the Company and the Subsidiaries are in material compliance with any and all applicable requirements of the Sarbanes-Oxley Act of 2002 that are effective as of the date hereof, and any and all applicable rules and regulations promulgated by the Commission thereunder that are effective as of the date hereof and as of the Closing Date. Except as disclosed in the in the SEC Reports, the Company and the Subsidiaries maintain a system of internal accounting controls sufficient to provide reasonable assurance that: (i) transactions are executed in accordance with management's general or specific authorizations, (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP and to maintain asset accountability, (iii) access to assets is permitted only in accordance with management's general or specific authorization, and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. Except as disclosed in the in the SEC Reports, the Company and the Subsidiaries have established disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the Company and the Subsidiaries and designed such disclosure controls and procedures to ensure that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms. The Company's certifying officers have evaluated the effectiveness of the disclosure controls and procedures of the Company and the Subsidiaries as of the end of the period covered by the most recently filed periodic report under the Exchange Act (such date, the "Evaluation Date"). The Company presented in its most recently filed periodic report under the Exchange Act the conclusions of the certifying officers about the effectiveness of the disclosure controls and procedures based on their evaluations as of the Evaluation Date. Since the Evaluation Date, there have been no changes in the internal control over financial reporting (as such term is defined in the Exchange Act) that have materially affected, or is reasonably likely to materially affect, the internal control over financial reporting of the Company and its Subsidiaries.

(t) Certain Fees. Except pursuant to the Placement Agent Agreement, no brokerage or finder's fees or commissions are or will be payable by the Company or any Subsidiaries to any broker, financial advisor or consultant, finder, placement agent, investment banker, bank or other Person with respect to the transactions contemplated by the Transaction Documents. Other than for Persons engaged by any Purchaser, if any, the Purchasers shall have no obligation with respect to any fees or with respect to any claims made by or on behalf of other Persons for fees of a type contemplated in this Section that may be due in connection with the transactions contemplated by the Transaction Documents.

(u) Private Placement. Assuming the accuracy of the Purchasers' representations and warranties set forth in Section 3.2, no registration under the Securities Act is required for the offer and sale of the Securities by the Company to the Purchasers as contemplated hereby. The issuance and sale of the Securities hereunder does not contravene the rules and regulations of the Trading Market.

(v) Investment Company. The Company is not, and is not an Affiliate of, and immediately after receipt of payment for the Securities, will not be or be an Affiliate of, an “investment company” within the meaning of the Investment Company Act of 1940, as amended. The Company shall conduct its business in a manner so that it will not become an “investment company” subject to registration under the Investment Company Act of 1940, as amended.

(w) Registration Rights. Other than the Registration Rights of the Purchasers hereunder, no Person has any right to cause the Company to effect the registration under the Securities Act of any securities of the Company or any Subsidiary.

(x) Listing and Maintenance Requirements. The Common Stock registered pursuant to Section 12(b) or 12(g) of the Exchange Act, and the Company has taken no action designed to, or which to its knowledge is likely to have the effect of, terminating the registration of the Common Stock under the Exchange Act nor has the Company received any notification that the Commission is contemplating terminating such registration. The Company has not, in the 12 months preceding the date hereof, received notice from any Trading Market on which the Common Stock is or has been listed or quoted to the effect that the Company is not in compliance with the listing or maintenance requirements of such Trading Market. The Company is, and has no reason to believe that it will not in the foreseeable future continue to be, in compliance with all such listing and maintenance requirements. The Common Stock is currently eligible for electronic transfer through the Depository Trust Company or another established clearing corporation and the Company is current in payment of the fees to the Depository Trust Company (or such other established clearing corporation) in connection with such electronic transfer.

(y) Application of Takeover Protections. The Company and the Board of Directors have taken all necessary action, if any, in order to render inapplicable any control share acquisition, business combination, poison pill (including any distribution under a rights agreement) or other similar anti-takeover provision under the Company’s certificate of incorporation (or similar charter documents) or the laws of its state of incorporation that is or could become applicable to the Purchasers as a result of the Purchasers and the Company fulfilling their obligations or exercising their rights under the Transaction Documents, including without limitation as a result of the Company’s issuance of the Securities and the Purchasers’ ownership of the Securities.

(z) Disclosure. Except with respect to the material terms and conditions of the transactions contemplated by the Transaction Documents or as disclosed in the Executive Summary, the Company confirms that neither it nor any other Person acting on its behalf has provided any of the Purchasers or their agents or counsel with any information that it believes constitutes or might constitute material, non-public information. The Company understands and confirms that the Purchasers will rely on the foregoing representation in effecting transactions in securities of the Company. All of the disclosure furnished by or on behalf of the Company to the Purchasers regarding the Company and its Subsidiaries, their respective businesses and the transactions contemplated hereby, including the Disclosure Schedules to this Agreement, is true and correct in all material respects and does not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading. The press releases disseminated by the Company

during the twelve months preceding the date of this Agreement taken as a whole do not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made and when made, not misleading. The Company acknowledges and agrees that no Purchaser makes or has made any representations or warranties with respect to the transactions contemplated hereby other than those specifically set forth in Section 3.2 hereof.

(aa) No Integrated Offering. Assuming the accuracy of the Purchasers’ representations and warranties set forth in Section 3.2, neither the Company, nor any of its Affiliates, nor any Person acting on its or their behalf has, directly or indirectly, made any offers or sales of any security or solicited any offers to buy any security, under circumstances that would cause this offering of the Securities to be integrated with prior offerings by the Company for purposes of (i) the Securities Act which would require the registration of any such securities under the Securities Act, or (ii) any applicable shareholder approval provisions of any Trading Market on which any of the securities of the Company are listed or designated.

(bb) Solvency. Based on the consolidated financial condition of the Company as of the Closing Date, after giving effect to the receipt by the Company of the proceeds from the sale of the Securities hereunder, (i) the fair saleable value of the Company’s assets exceeds the amount that will be required to be paid on or in respect of the Company’s existing debts and other liabilities (including known contingent liabilities) as they mature, (ii) the Company’s assets do not constitute unreasonably small

capital to carry on its business as now conducted and as proposed to be conducted including its capital needs taking into account the particular capital requirements of the business conducted by the Company, consolidated and projected capital requirements and capital availability thereof, and (iii) the current cash flow of the Company, together with the proceeds the Company would receive, were it to liquidate all of its assets, after taking into account all anticipated uses of the cash, would be sufficient to pay all amounts on or in respect of its liabilities when such amounts are required to be paid. The Company does not intend to incur debts beyond its ability to pay such debts as they mature (taking into account the timing and amounts of cash to be payable on or in respect of its debt). The Company has no knowledge of any facts or circumstances which lead it to believe that it will file for reorganization or liquidation under the bankruptcy or reorganization laws of any jurisdiction within one year from the Closing Date. Schedule 3.1(bb) sets forth as of the date hereof all outstanding secured and unsecured Indebtedness of the Company or any Subsidiary, or for which the Company or any Subsidiary has commitments. For the purposes of this Agreement, “Indebtedness” means (x) any liabilities for borrowed money or amounts owed by the Company in excess of \$50,000 (other than trade accounts payable incurred in the ordinary course of business), (y) all guaranties, endorsements and other contingent obligations in respect of indebtedness of others to third parties, whether or not the same are or should be reflected in the Company’s consolidated balance sheet (or the notes thereto), except guaranties by endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business; and (z) the present value of any lease payments in excess of \$50,000 due under leases required to be capitalized in accordance with GAAP. Neither the Company nor any Subsidiary is in default with respect to any Indebtedness.

(cc) Tax Status. Except for matters that would not, individually or in the aggregate, have or reasonably be expected to result in a Material Adverse Effect, the Company and its Subsidiaries each (i) has made or filed all United States federal, state and local income and all foreign income and franchise tax returns, reports and declarations required by any jurisdiction to which it is subject, (ii) has paid all taxes and other governmental assessments and charges that are material in amount, shown or determined to be due on such returns, reports and declarations and (iii) has set aside on its books provision reasonably adequate for the payment of all material taxes for periods subsequent to the periods to which such returns, reports or declarations apply. There are no unpaid taxes in any material amount claimed to be due by the taxing authority of any jurisdiction, and the officers of the Company or of any Subsidiary know of no basis for any such claim.

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(dd) No General Solicitation. Neither the Company nor any Person acting on behalf of the Company has offered or sold any of the Securities by any form of general solicitation or general advertising. The Company has offered the Securities for sale only to the Purchasers who are either (i) “accredited investors” within the meaning of Rule 501 under the Securities Act or (ii) Sophisticated Investors.

(ee) Foreign Corrupt Practices. Neither the Company nor any Subsidiary, nor to the knowledge of the Company or any Subsidiary, any agent or other person acting on behalf of the Company or any Subsidiary, has (i) directly or indirectly, used any funds for unlawful contributions, gifts, entertainment or other unlawful expenses related to foreign or domestic political activity, (ii) made any unlawful payment to foreign or domestic government officials or employees or to any foreign or domestic political parties or campaigns from corporate funds, (iii) failed to disclose fully any contribution made by the Company or any Subsidiary (or made by any person acting on its behalf of which the Company is aware) which is in violation of law or (iv) violated in any material respect any provision of FCPA.

(ff) Accountants. The Company’s accounting firm is set forth in the SEC Reports. To the knowledge and belief of the Company, such accounting firm (i) is a registered public accounting firm as required by the Exchange Act and (ii) shall express its opinion with respect to the financial statements to be included in the Company’s Annual Report for the fiscal year ending December 31, 2021.

(gg) No Disagreements with Accountants and Lawyers. There are no disagreements of any kind presently existing, or reasonably anticipated by the Company to arise, between the Company and the accountants and lawyers formerly or presently employed by the Company and the Company is current with respect to any fees owed to its accountants and lawyers which could affect the Company’s ability to perform any of its obligations under any of the Transaction Documents.

(hh) Acknowledgment Regarding Purchasers’ Purchase of Securities. The Company acknowledges and agrees that each of the Purchasers is acting solely in the capacity of an arm’s length purchaser with respect to the Transaction Documents and the transactions contemplated thereby. The Company further acknowledges that no Purchaser is acting as a financial advisor or fiduciary of the Company (or in any similar capacity) with respect to the Transaction Documents and the transactions contemplated thereby and any advice given by any Purchaser or any of their respective representatives or agents in connection

with the Transaction Documents and the transactions contemplated thereby is merely incidental to the Purchasers' purchase of the Securities. The Company further represents to each Purchaser that the Company's decision to enter into this Agreement and the other Transaction Documents has been based solely on the independent evaluation of the transactions contemplated hereby by the Company and its representatives.

(ii) Acknowledgment Regarding Purchaser's Trading Activity. Anything in this Agreement or elsewhere herein to the contrary notwithstanding (except for Sections 3.2(g) and 4.14 hereof), it is understood and acknowledged by the Company that: (i) none of the Purchasers has been asked by the Company to agree, nor has any Purchaser agreed, to desist from purchasing or selling, long and/or short, securities of the Company, or "derivative" securities based on securities issued by the Company or to hold the Securities for any specified term, (ii) past or future open market or other transactions by any Purchaser, specifically including, without limitation, Short Sales or "derivative" transactions, before or after the closing of this or future private placement transactions, may negatively impact the market price of the Company's publicly-traded securities, (iii) any Purchaser, and counter-parties in "derivative" transactions to which any such Purchaser is a party, directly or indirectly, may presently have a "short" position in the Common Stock and (iv) each Purchaser shall not be deemed to have any affiliation with or control over any arm's length counter-party in any "derivative" transaction. The Company further understands and acknowledges that (y) one or more Purchasers may engage in hedging activities at various times during the period that the Securities are outstanding, including, without limitation, during the periods that the value of the Warrant Shares deliverable with respect to Securities are being determined, and (z) such hedging activities (if any) could reduce the value of the existing shareholders' equity interests in the Company at and after the time that the hedging activities are being conducted. The Company acknowledges that such aforementioned hedging activities do not constitute a breach of any of the Transaction Documents.

(jj) Regulation M Compliance. The Company has not, and to its knowledge no one acting on its behalf has, (i) taken, directly or indirectly, any action designed to cause or to result in the stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of any of the Securities, (ii) sold, bid for, purchased, or, paid any compensation for soliciting purchases of, any of the Securities, or (iii) paid or agreed to pay to any Person any compensation for soliciting another to purchase any other securities of the Company.

(kk) Stock Option Plans. The Company's has no formal stock option or similar plan. The Company has not knowingly granted, and there is no and has been no Company policy or practice to knowingly grant, stock options prior to, or otherwise knowingly coordinate the grant of stock options with, the release or other public announcement of material information regarding the Company or its Subsidiaries or their financial results or prospects.

(ll) Office of Foreign Assets Control. Neither the Company nor any Subsidiary nor, to the Company's knowledge, any director, officer, agent, employee or affiliate of the Company or any Subsidiary is currently subject to any U.S. sanctions administered by the Office of Foreign Assets Control of the U.S. Treasury Department ("OFAC").

(mm) U.S. Real Property Holding Corporation. The Company is not and has never been a U.S. real property holding corporation within the meaning of Section 897 of the Internal Revenue Code of 1986, as amended, and the Company shall so certify upon Purchaser's request.

(nn) Bank Holding Company Act. Neither the Company nor any of its Subsidiaries or Affiliates is subject to the Bank Holding Company Act of 1956, as amended (the "BHCA") and to regulation by the Board of Governors of the Federal Reserve System (the "Federal Reserve"). Neither the Company nor any of its Subsidiaries or Affiliates owns or controls, directly or indirectly, five percent (5%) or more of the outstanding shares of any class of voting securities or twenty-five percent or more of the total equity of a bank or any entity that is subject to the BHCA and to regulation by the Federal Reserve. Neither the Company nor any of its Subsidiaries or Affiliates exercises a controlling influence over the management or policies of a bank or any entity that is subject to the BHCA and to regulation by the Federal Reserve.

(oo) Money Laundering. The operations of the Company and its Subsidiaries are and have been conducted at all times in compliance with applicable financial record-keeping and reporting requirements of the Currency and Foreign Transactions Reporting Act of 1970, as amended, applicable money laundering statutes and applicable rules and regulations thereunder (collectively, the "Money Laundering Laws"), and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company or any Subsidiary with respect to the Money Laundering Laws is pending or, to the knowledge of the Company or any Subsidiary, threatened.

(pp) No Disqualification Events. With respect to the Securities to be offered and sold hereunder in reliance on Rule 506 under the Securities Act, none of the Company, any of its predecessors, any affiliated issuer, any director, executive officer, other officer of the Company participating in the offering hereunder, any beneficial owner of 20% or more of the Company's outstanding voting equity securities, calculated on the basis of voting power, nor any promoter (as that term is defined in Rule 405 under the Securities Act) connected with the Company in any capacity at the time of sale (each, an "Issuer Covered Person" and, together, "Issuer Covered Persons") is subject to any of the "Bad Actor" disqualifications described in Rule 506(d)(1)(i) to (viii) under the Securities Act (a "Disqualification Event"), except for a Disqualification Event covered by Rule 506(d)(2) or (d)(3). The Company has exercised reasonable care to determine whether any Issuer Covered Person is subject to a Disqualification Event. The Company has complied, to the extent applicable, with its disclosure obligations under Rule 506(e), and has furnished to the Purchasers a copy of any disclosures provided thereunder.

(qq) Other Covered Persons. Other than the Placement Agent, the Company is not aware of any person (other than any Issuer Covered Person) that has been or will be paid (directly or indirectly) remuneration for solicitation of purchasers in connection with the sale of any Securities.

(rr) Notice of Disqualification Events. The Company will notify the Purchasers and the Placement Agent in writing, prior to the Closing Date of (i) any Disqualification Event relating to any Issuer Covered Person and (ii) any event that would, with the passage of time, become a Disqualification Event relating to any Issuer Covered Person.

3.2 Representations and Warranties of the Purchasers. Each Purchaser, for itself and for no other Purchaser, hereby represents and warrants as of the date hereof and as of the Closing Date to the Company as follows (unless as of a specific date therein, in which case they shall be accurate as of such date):

(a) Organization; Authority. Such Purchaser is either an individual or an entity duly incorporated or formed, validly existing and in good standing under the laws of the jurisdiction of its incorporation or formation with full right, corporate, partnership, limited liability company or similar power and authority to enter into and to consummate the transactions contemplated by the Transaction Documents and otherwise to carry out its obligations hereunder and thereunder. The execution and delivery of the Transaction Documents and performance by such Purchaser of the transactions contemplated by the Transaction Documents have been duly authorized by all necessary corporate, partnership, limited liability company or similar action, as applicable, on the part of such Purchaser. Each Transaction Document to which it is a party has been duly executed by such Purchaser, and when delivered by such Purchaser in accordance with the terms hereof, will constitute the valid and legally binding obligation of such Purchaser, enforceable against it in accordance with its terms, except (i) as limited by general equitable principles and applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally, (ii) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies and (iii) insofar as indemnification and contribution provisions may be limited by applicable law.

(b) Own Account. Such Purchaser understands that the Securities are "restricted securities" and have not been registered under the Securities Act or any applicable state securities law and is acquiring the Securities as principal for its own account and not with a view to or for distributing or reselling such Securities or any part thereof in violation of the Securities Act or any applicable state securities law, has no present intention of distributing any of such Securities in violation of the Securities Act or any applicable state securities law and has no direct or indirect arrangement or understandings with any other persons to distribute or regarding the distribution of such Securities in violation of the Securities Act or any applicable state securities law (this representation and warranty not limiting such Purchaser's right to sell the Securities pursuant to the Registration Statement or otherwise in compliance with applicable federal and state securities laws). Such Purchaser is acquiring the Securities hereunder in the ordinary course of its business.

(c) Purchaser Status. At the time such Purchaser was offered the Securities, it was, and as of the date hereof it is, and on each date on which it exercises any Warrants it will be (i) an "accredited investor" as defined in Rule 501(a)(1), (a)(2), (a)(3), (a)(7) or (a)(8) under the Securities Act, (ii) a Sophisticated Investor, or (iii) a Non U.S. Person as defined under Regulation S promulgated under the Securities Act. To the extent that the Purchaser is a non U.S. Person, the Purchaser (x) is not acquiring Securities for the account or benefit of any U.S. Person, (y) is not, at the time of execution of this Agreement, and will not be, at the time of the Closing, in the United States and (z) is not a "distributor" (as defined in Regulation S promulgated under the Securities Act). The Purchaser acknowledges that to the extent he or she is not a U.S. Person the offer and sale of securities contemplated hereunder have been made in accordance with Rule 903 under Regulation S, including but not limited to such

offer and sale being made in an “offshore transaction” without any “directed selling efforts” in the United States as such terms are defined under Rule 902 of Regulation S. .

(d) Experience of Such Purchaser; Acknowledgment of Risk. Such Purchaser, either alone or together with its representatives, has such knowledge, sophistication and experience in business and financial matters so as to be capable of evaluating the merits and risks of the prospective investment in the Securities, and has so evaluated the merits and risks of such investment. Such Purchaser is able to bear the economic risk of an investment in the Securities and, at the present time, is able to afford a complete loss of such investment. Such Purchaser acknowledges that an investment in the Securities is speculative and subject to significant risks, including the risk that the Company’s business might fail, which could result in the loss of the Purchaser’s investment in the Company.

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(e) General Solicitation. Such Purchaser is not, to such Purchaser’s knowledge, purchasing the Securities as a result of any advertisement, article, notice or other communication regarding the Securities published in any newspaper, magazine or similar media or broadcast over television or radio or presented at any seminar or, to the knowledge of such Purchaser, any other general solicitation or general advertisement.

(f) Access to Information. Such Purchaser acknowledges that it has had the opportunity to review the Transaction Documents (including all exhibits and schedules thereto) and the SEC Reports and has been afforded (i) the opportunity to ask such questions as it has deemed necessary of, and to receive answers from, representatives of the Company concerning the terms and conditions of the offering of the Securities and the merits and risks of investing in the Securities; (ii) access to information about the Company and its financial condition, results of operations, business, properties, management and prospects sufficient to enable it to evaluate its investment; and (iii) the opportunity to obtain such additional information that the Company possesses or can acquire without unreasonable effort or expense that is necessary to make an informed investment decision with respect to the investment. Such Purchaser acknowledges and agrees that neither the Company, Placement Agent nor any respective Affiliate of the Company or Placement Agent has provided such Purchaser with any information or advice with respect to the Securities nor is such information or advice necessary or desired. Neither the Placement Agent nor any Affiliate has made or makes any representation as to the Company or the quality of the Securities and the Placement Agent and any Affiliate may have acquired non-public information with respect to the Company which such Purchaser agrees need not be provided to it. In connection with the issuance of the Securities to such Purchaser, neither the Placement Agent nor any of its Affiliates has acted as a financial advisor or fiduciary to such Purchaser.

(g) Reserved.

(h) No Governmental Review. Such Purchaser understands that no United States federal or state agency or any other government or governmental agency has passed on or made any recommendation or endorsement of the Securities or the fairness or suitability of the investment in the Securities nor have such authorities passed upon or endorsed the merits of the offering of the Securities.

(i) Brokers. Except as set forth on Schedule 3.2(i), no agent, broker, investment banker, person or firm acting in a similar capacity on behalf of or under the authority of the Purchaser is or will be entitled to any broker’s or finder’s fee or any other commission or similar fee, directly or indirectly, for which the Company or any of its Affiliates after the Closing could have any liabilities in connection with this Agreement, any of the transactions contemplated by this Agreement, or on account of any action taken by the Purchaser in connection with the transactions contemplated by this Agreement.

(j) Independent Advice. Each Purchaser understands that nothing in this Agreement or any other materials presented by or on behalf of the Company to the Purchaser in connection with the purchase of the Securities constitutes legal, tax or investment advice.

(k) Certain Transactions and Confidentiality. Other than consummating the transactions contemplated hereunder, such Purchaser has not, nor has any Person acting on behalf of or pursuant to any understanding with such Purchaser, directly or indirectly executed any purchases or sales, including Short Sales, of the securities of the Company during the period commencing as of the time that such Purchaser first received a term sheet (written or oral) from the Company or any other Person representing the Company setting forth the material terms of the transactions contemplated hereunder and ending immediately prior to the execution hereof. Notwithstanding the foregoing, in the case of a Purchaser that is a multi-managed investment vehicle whereby separate portfolio managers manage separate portions of such Purchaser’s assets and the portfolio

managers have no direct knowledge of the investment decisions made by the portfolio managers managing other portions of such Purchaser's assets, the representation set forth above shall only apply with respect to the portion of assets managed by the portfolio manager that made the investment decision to purchase the Securities covered by this Agreement. Other than to other Persons party to this Agreement or to such Purchaser's representatives, including, without limitation, its officers, directors, partners, legal and other advisors, employees, agents and Affiliates, such Purchaser has maintained the confidentiality of all disclosures made to it in connection with this transaction (including the existence and terms of this transaction). Notwithstanding the foregoing, for the avoidance of doubt, nothing contained

herein shall constitute a representation or warranty against, or a prohibition of, any actions with respect to the borrowing of, arrangement to borrow, identification of the availability of, and/or securing of, securities of the Company in order for such Purchaser (or its broker or other financial representative) to effect Short Sales or similar transactions in the future.

The Company acknowledges and agrees that the representations contained in this Section 3.2 shall not modify, amend or affect such Purchaser's right to rely on the Company's representations and warranties contained in this Agreement or any representations and warranties contained in any other Transaction Document or any other document or instrument executed and/or delivered in connection with this Agreement or the consummation of the transactions contemplated hereby. Notwithstanding the foregoing, for the avoidance of doubt, nothing contained herein shall constitute a representation or warranty, or preclude any actions, with respect to locating or borrowing shares in order to effect Short Sales or similar transactions in the future.

ARTICLE IV. OTHER AGREEMENTS OF THE PARTIES

4.1 Transfer Restrictions.

(a) The Securities may only be disposed of in compliance with state and federal securities laws. In connection with any transfer of Securities other than pursuant to an effective registration statement, including the Registration Statement, or Rule 144, to the Company or to an Affiliate of a Purchaser or in connection with a pledge as contemplated in Section 4.1(b), the Company may require the transferor thereof to provide to the Company an opinion of counsel selected by the transferor and reasonably acceptable to the Company, the form and substance of which opinion shall be reasonably satisfactory to the Company, to the effect that such transfer does not require registration of such transferred Securities under the Securities Act. As a condition of transfer, any such transferee shall agree in writing to be bound by the terms of this Agreement and the Registration Rights and shall have the rights and obligations of a Purchaser under this Agreement and the Registration Rights.

(b) The Purchasers agree to the imprinting, so long as is required by this Section 4.1, of a legend on any of the Securities in the following form:

[NEITHER] THIS SECURITY [NOR THE SECURITIES INTO WHICH THIS SECURITY IS EXERCISABLE] HAS [NOT] BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS. THIS SECURITY [AND THE SECURITIES ISSUABLE UPON EXERCISE OF THIS SECURITY] MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT WITH A REGISTERED BROKER-DEALER OR OTHER LOAN WITH A FINANCIAL INSTITUTION THAT IS AN "ACCREDITED INVESTOR" AS DEFINED IN RULE 501(a) UNDER THE SECURITIES ACT OR OTHER LOAN SECURED BY SUCH SECURITIES.

The Company acknowledges and agrees that a Purchaser may from time to time pledge pursuant to a bona fide margin agreement with a registered broker-dealer or grant a security interest in some or all of the Securities to a financial institution that is an "accredited investor" as defined in Rule 501(a) under the Securities Act and, if required under the terms of such arrangement, such Purchaser may transfer pledged or secured Securities to the pledgees or secured parties. Such a pledge or transfer would not be subject to approval of the Company and no legal opinion of legal counsel of the pledgee, secured party or pledgor shall be required in connection therewith. Further, no notice shall be required of such pledge. At the appropriate Purchaser's expense, the Company will execute and deliver such reasonable documentation as a pledgee or secured party of

Securities may reasonably request in connection with a pledge or transfer of the Securities, including, if the Securities are subject to registration pursuant to the Registration Rights, the preparation and

filing of any required prospectus supplement under Rule 424(b)(3) under the Securities Act or other applicable provision of the Securities Act to appropriately amend the list of selling shareholders (as listed in the Registration Statement) thereunder.

(c) Shares and Warrant Shares shall not contain any legend (including the legend set forth in Section 4.1(b) hereof) (i) while a registration statement (including the Registration Statement) covering the resale of such security is effective under the Securities Act, (ii) following any sale of such Shares or Warrant Shares pursuant to Rule 144 and the Company is then in compliance with the current public information required under Rule 144 (assuming cashless exercise of the Warrants), (iii) if such Shares or Warrant Shares are eligible for sale and may be sold under Rule 144 (assuming cashless exercise of the Warrants), without the requirement for the Company to be in compliance with the current public information required under Rule 144 as to such Shares and/or Warrant Shares and without volume or manner-of-sale restrictions, or (iv) if such legend is not required under applicable requirements of the Securities Act (including judicial interpretations and pronouncements issued by the staff of the Commission). The Company shall cause its counsel to issue a legal opinion to the Transfer Agent or the Purchaser promptly if required by the Transfer Agent to effect the removal of the legend hereunder, or if requested by a Purchaser. If all or any portion of Warrant is exercised at a time when there is an effective registration statement (including the Registration Statement) to cover the resale of the Warrant Shares, or if such, if the Shares or Warrant Shares may be sold under Rule 144 and the Company is then in compliance with the current public information required under Rule 144 (assuming cashless exercise of the Warrants), or if the Shares or Warrant Shares may be sold under Rule 144 without the requirement for the Company to be in compliance with the current public information required under Rule 144 as to such Shares or Warrant Shares or if such legend is not otherwise required under applicable requirements of the Securities Act (including judicial interpretations and pronouncements issued by the staff of the Commission), then such Shares and Warrant Shares shall be issued free of all legends. The Company shall cause its counsel to issue a legal opinion to the Transfer Agent promptly if required by the Transfer Agent to effect the removal of the legend hereunder or if required by a Purchaser. The Company agrees that following the Effective Date or at such time as such legend is no longer required under this Section 4.1(c), it will, no later than the earlier of (i) two (2) Trading Days and (ii) the number of Trading Days comprising the Standard Settlement Period (as defined below) following the delivery by a Purchaser to the Company or the Transfer Agent of a certificate representing Shares or Warrant Shares, as the case may be, issued with a restrictive legend (such date, the “Legend Removal Date”), deliver or cause to be delivered to such Purchaser a certificate representing such shares that is free from all restrictive and other legends. The Company may not make any notation on its records or give instructions to the Transfer Agent that enlarge the restrictions on transfer set forth in this Section 4. Certificates for Securities subject to legend removal hereunder shall be transmitted by the Transfer Agent to the Purchaser by crediting the account of the Purchaser’s prime broker with the Depository Trust Company System as directed by such Purchaser. As used herein, “Standard Settlement Period” means the standard settlement period, expressed in a number of Trading Days, on the Company’s primary Trading Market with respect to the Common Stock as in effect on the date of delivery of a certificate representing Shares or Warrants Shares, as the case may be, issued with a restrictive legend.

(d) In addition to such Purchaser’s other available remedies, the Company shall pay to a Purchaser, in cash, (i) as partial liquidated damages and not as a penalty, for each \$1,000 of Shares or Warrant Shares (based on the VWAP of the Common Stock on the date such Securities are submitted to the Transfer Agent) delivered for removal of the restrictive legend and subject to Section 4.1(c), \$10 per Trading Day (increasing to \$20 per Trading Day five (5) Trading Days after such damages have begun to accrue) for each Trading Day after the Legend Removal Date until such certificate is delivered without a legend and (ii) if the Company fails to (a) issue and deliver (or cause to be delivered) to a Purchaser by the Legend Removal Date a certificate representing the Securities so delivered to the Company by such Purchaser that is free from all restrictive and other legends and (b) if after the Legend Removal Date such Purchaser purchases (in an open market transaction or otherwise) shares of Common Stock to deliver in satisfaction of a sale by such Purchaser of all or any portion of the number of shares of Common Stock, or a sale of a number of shares of Common Stock equal to all or any portion of the number of shares of Common Stock that such Purchaser anticipated receiving from the Company without any restrictive legend, then, an amount equal to the excess of such Purchaser’s total purchase price (including brokerage commissions and other out-of-pocket expenses, if any) for the shares of Common Stock so purchased (including brokerage commissions and other out-of-pocket expenses,

if any) (the “Buy-In Price”) over the product of (A) such number of Shares or Warrant Shares that the Company was required to deliver to such Purchaser by the Legend Removal Date multiplied by (B) the lowest closing sale price of the Common Stock on any Trading Day during the period commencing on the date of the delivery by such Purchaser to the Company of the applicable Shares or Warrant Shares (as the case may be) and ending on the date of such delivery and payment under this clause (ii).

(e) Each Purchaser, severally and not jointly with the other Purchasers, agrees with the Company that such Purchaser will sell any Securities pursuant to either the registration requirements of the Securities Act, including any applicable prospectus delivery requirements, or an exemption therefrom, and that if Securities are sold pursuant to a Registration Statement, they will be sold in compliance with the plan of distribution set forth therein, and acknowledges that the removal of the restrictive legend the applicable Securities as set forth in this Section 4.1 is predicated upon the Company’s reliance upon this understanding.

4.2 Furnishing of Information: Public Information.

(a) Until the earliest of the time that (i) no Purchaser owns Securities or (ii) the Warrants have expired, the Company covenants to maintain the registration of the Common Stock under Section 12(b) or 12(g) of the Exchange Act and to timely file (or obtain extensions in respect thereof and file within the applicable grace period) all reports required to be filed by the Company after the date hereof pursuant to the Exchange Act even if the Company is not then subject to the reporting requirements of the Exchange Act; provided, however, that the Company will not be in breach of this Section 4.2(a) if the Company engages in a Fundamental Transaction (as defined in the Warrant) approved by the Board of Directors and (if applicable) the stockholders of the Company, the result of which is that the Company’s reporting obligations under the Exchange Act are terminated.

(b) Subject to the proviso at the end of Section 4.2(a), at any time during the period commencing from the six (6) month anniversary of the date hereof and ending at such time (if applicable) that all of the Securities may be sold without the requirement for the Company to be in compliance with Rule 144(c)(1) and otherwise without restriction or limitation pursuant to Rule 144 (assuming that the Warrants are exercised via cashless exercise), if the Company (i) shall fail for any reason to satisfy the current public information requirement under Rule 144(c) or (ii) has ever been an issuer described in Rule 144 (i)(1)(i) or becomes an issuer in the future, and the Company shall fail to satisfy any condition set forth in Rule 144(i)(2) (a “Public Information Failure”) then, in addition to such Purchaser’s other available remedies, the Company shall pay to a Purchaser, in cash, as partial liquidated damages and not as a penalty, by reason of any such delay in or reduction of its ability to sell the Securities, an amount in cash equal to two percent (2.0%) of the aggregate Subscription Amount of such Purchaser’s Securities on the day of a Public Information Failure and on every thirtieth (30th) day (pro rated for periods totaling less than thirty days) thereafter until the earlier of (a) the date such Public Information Failure is cured and (b) such time that such public information is no longer required for the Purchasers to transfer the Shares or Warrant Shares pursuant to Rule 144. The payments to which a Purchaser shall be entitled pursuant to this Section 4.2(b) are referred to herein as “Public Information Failure Payments.” Public Information Failure Payments shall be paid on the earlier of (i) the last day of the calendar month during which such Public Information Failure Payments are incurred and (ii) the third (3rd) Business Day after the event or failure giving rise to the Public Information Failure Payments is cured. In the event the Company fails to make Public Information Failure Payments in a timely manner, such Public Information Failure Payments shall bear interest at the rate of 1.5% per month (prorated for partial months) until paid in full. Nothing herein shall limit such Purchaser’s right to pursue actual damages for the Public Information Failure, and such Purchaser shall have the right to pursue all remedies available to it at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief.

4.3 Integration. The Company shall not sell, offer for sale or solicit offers to buy or otherwise negotiate in respect of any security (as defined in Section 2 of the Securities Act) that would be integrated with the offer or sale of the Securities in a manner that would require the registration under the Securities Act of the sale of the Securities or that would be integrated with the offer or sale of the Securities for purposes of the rules and regulations of any Trading Market such that it would require shareholder approval prior to the closing of such other transaction unless shareholder approval is obtained before the closing of such subsequent transaction.

4.4 Exercise Procedures. Each of the form of Notice of Exercise included in the Warrants set forth the totality of the procedures required of the Purchasers in order to exercise the Warrants. Without limiting the preceding sentences, no ink-original Notice of Exercise shall be required, nor shall any medallion guarantee (or other type of guarantee or notarization) of any Notice of Exercise form be required in order to exercise the Warrants. No additional legal opinion, other information or instructions shall be required of the Purchasers to exercise their Warrants. The Company shall honor exercises of the Warrants and shall deliver or cause to be delivered Warrant Shares in accordance with the terms, conditions and time periods set forth in the Transaction Documents.

4.5 Securities Laws Disclosure; Publicity. The Company shall (a) by the Disclosure Time, issue a press release disclosing the material terms of the transactions contemplated hereby, and (b) file a Current Report on Form 8-K, including the business narrative of the Company included in the Executive Summary and the Transaction Documents as exhibits thereto, with the Commission within the time required by the Exchange Act. From and after the issuance of such press release and Form 8-K, the Company represents to the Purchasers that it shall have publicly disclosed all material, non-public information delivered to any of the Purchasers by the Company or any of its Subsidiaries, or any of their respective officers, directors, employees or agents in connection with the transactions contemplated by the Transaction Documents. In addition, effective upon the issuance of such press release and Form 8-K, the Company acknowledges and agrees that any and all confidentiality or similar obligations under any agreement, whether written or oral, between the Company, any of its Subsidiaries or any of their respective officers, directors, agents, employees or Affiliates on the one hand, and any of the Purchasers or any of their Affiliates on the other hand, shall terminate. The Company and the Placement Agent shall consult with each other in issuing any other press releases with respect to the transactions contemplated hereby, and neither the Company, the Placement Agent nor any Purchaser shall issue any such press release nor otherwise make any such public statement without the prior consent of the Company, with respect to any press release of any Purchaser, or without the prior consent of each Purchaser, with respect to any press release of the Company, which consent shall not unreasonably be withheld or delayed, except if such disclosure is required by law, in which case the disclosing party shall promptly provide the other party with prior notice of such public statement or communication. Notwithstanding the foregoing, the Company shall not be required to obtain the approval of any Purchaser for any press releases not associated with the transactions contemplated hereby. Notwithstanding the foregoing, the Company shall not publicly disclose the name of any Purchaser, or include the name of any Purchaser in any filing with the Commission or any regulatory agency or Trading Market, without the prior written consent of such Purchaser, except (a) as required by federal securities law in connection with (i) any Registration Statement contemplated by the Registration Rights and (ii) the filing of final Transaction Documents with the Commission, (b) to the extent such disclosure is required by law or Trading Market regulations, in which case the Company shall provide the Purchasers with prior notice of such disclosure permitted under this clause (b) and (c) the listing of Purchaser's name in the Company's register of securities holders, which registry is open to the security holders of the Company and which may be filed publicly by the Company from time to time.

4.6 Shareholder Rights Plan. No claim will be made or enforced by the Company or, with the consent of the Company, any other Person, that any Purchaser is an "Acquiring Person" under any control share acquisition, business combination, poison pill (including any distribution under a rights agreement) or similar anti-takeover plan or arrangement in effect or hereafter adopted by the Company, or that any Purchaser could be deemed to trigger the provisions of any such plan or arrangement, by virtue of receiving Securities under the Transaction Documents or under any other agreement between the Company and the Purchasers.

4.7 Non-Public Information. Except with respect to the material terms and conditions of the transactions contemplated by the Transaction Documents and the business narrative of the Company included in the Executive Summary, which shall be disclosed pursuant to Section 4.5, the Company covenants and agrees that neither it, nor any other Person acting on its behalf will provide any Purchaser or its agents or counsel with any information that constitutes, or the Company reasonably believes constitutes, material non-public information, unless prior thereto such Purchaser shall have entered into a written agreement with the Company regarding the confidentiality and use of such information. The Company understands and confirms that each Purchaser shall be relying on the foregoing covenant in effecting transactions in securities of the Company. To the extent that the Company delivers any material, non-public information (other than as described in the first sentence of this Section 4.7) to a Purchaser without such Purchaser's consent, the Company hereby covenants and agrees that such Purchaser shall not have any duty of confidentiality to Company, any of its Subsidiaries, or any of their respective officers, directors, agents, employees or Affiliates, or a duty to the Company, and of its Subsidiaries or any of their respective officers, directors, agents,

employees or Affiliates not to trade on the basis of, such material, non-public information, provided that the Purchaser shall remain subject to applicable law. Except with any notice in connection with a Subsequent Financing as contemplated by Section 4.17, to the extent that any notice provided pursuant to any Transaction Document constitutes, or contains, material, non-public information regarding the Company or any Subsidiaries, the Company shall simultaneously file such notice with the Commission pursuant to a Current Report on Form 8-K. The Company understands and confirms that each Purchaser shall be relying on the foregoing covenant in effecting transactions in securities of the Company.

4.8 Use of Proceeds. Except as set forth on Schedule 4.8 attached hereto, the Company shall use the net proceeds from the sale of the Securities hereunder as described in the Executive Summary and shall not use such proceeds: (a) for the satisfaction of any portion of the Company's debt (other than payment of trade payables in the ordinary course of the Company's business and prior practices), (b) for the redemption of any Common Stock or Common Stock Equivalents, (c) for the settlement of any outstanding litigation or (d) in violation of FCPA or OFAC regulations.

4.9 Indemnification of Purchasers. Subject to the provisions of this Section 4.9, the Company will indemnify and hold each Purchaser and its directors, officers, shareholders, members, partners, employees and agents (and any other Persons with a functionally equivalent role of a Person holding such titles notwithstanding a lack of such title or any other title), each Person who controls such Purchaser (within the meaning of Section 15 of the Securities Act and Section 20 of the Exchange Act), and the directors, officers, shareholders, agents, members, partners or employees (and any other Persons with a functionally equivalent role of a Person holding such titles notwithstanding a lack of such title or any other title) of such controlling persons (each, a “Purchaser Party”) harmless from any and all losses, liabilities, obligations, claims, contingencies, damages, costs and expenses, including all judgments, amounts paid in settlements, court costs and reasonable attorneys’ fees and costs of investigation that any such Purchaser Party may suffer or incur as a result of or relating to (a) any breach of any of the representations, warranties, covenants or agreements made by the Company in this Agreement or in the other Transaction Documents or (b) any action instituted against a Purchaser Party in any capacity, or any of them or their respective Affiliates, by any shareholder of the Company who is not an Affiliate of such Purchaser Party, with respect to any of the transactions contemplated by the Transaction Documents (unless such action is based upon a material breach of such Purchaser Party’s representations, warranties or covenants under the Transaction Documents or any agreements or understandings such Purchaser Party may have with any such shareholder or any violations by such Purchaser Party of state or federal securities laws or any conduct by such Purchaser Party which is determined to constitute fraud, gross negligence or willful misconduct). If any action shall be brought against any Purchaser Party in respect of which indemnity may be sought pursuant to this Agreement, such Purchaser Party shall promptly notify the Company in writing, and the Company shall have the right to assume the defense thereof with counsel of its own choosing reasonably acceptable to the Purchaser Party. Any Purchaser Party shall have the right to employ separate counsel in any such action and participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such Purchaser Party except to the extent that (i) the employment thereof has been specifically authorized by the Company in writing, (ii) the Company has failed after a reasonable period of time to assume such defense and to employ counsel or (iii) in such action there is, in the reasonable opinion of counsel, a material conflict on any material issue between the position of the Company and the position of such Purchaser Party, in which case the Company shall be responsible for the reasonable fees and expenses of no more than one such separate counsel. The Company will not be liable to any Purchaser Party under this Agreement (y) for any settlement by a Purchaser Party effected without the Company’s prior written consent, which shall not be unreasonably withheld or delayed; or (z) to the extent, but only to the extent that a loss, claim, damage or liability is attributable to any Purchaser Party’s breach of any of the representations, warranties, covenants or agreements made by such Purchaser Party in this Agreement or in the other Transaction Documents. The indemnification required by this Section 4.9 shall be made by periodic payments of the amount thereof during the course of the investigation or defense, as and when bills are received or are incurred. The indemnity agreements contained herein shall be in addition to any cause of action or similar right of any Purchaser Party against the Company or others and any liabilities the Company may be subject to pursuant to law.

4.10 Listing of Securities. The Company hereby agrees to use its commercially reasonable efforts to maintain the listing or quotation of the Common Stock on the Trading Market on which it is currently listed, and concurrently with the Closing, if required, the Company shall apply to list or quote all of the Shares, Warrant Shares on such Trading Markets and promptly secure the listing of all of the Shares and Warrant Shares on such Trading Markets. The Company further agrees, if the Company applies to have the Common Stock traded on any other Trading Market, it will then include in such application all of the Shares and Warrant Shares, and will take such other action as is necessary to cause all of the Shares and Warrant Shares to be listed or quoted on such other Trading Market as promptly as possible. The Company will then take all action reasonably necessary to continue the listing and trading of its Common Stock on a Trading Market and will comply in all material respects with the Company’s reporting, filing and other obligations under the bylaws or rules of the Trading Market. The Company agrees to use commercially reasonable efforts to maintain the eligibility of the Common Stock for electronic transfer through the Depository Trust Company or another established clearing corporation, including, without limitation, by timely payment of fees to the Depository Trust Company or such other established clearing corporation in connection with such electronic transfer.

4.11 Reservation of Common Stock. As of the date hereof, the Company has reserved and the Company shall continue to reserve and keep available at all times, free of preemptive rights, a sufficient number of shares of Common Stock for the purpose of enabling the Company to issue Shares pursuant to this Agreement and Warrant Shares pursuant to any exercise of the Warrants.

4.12 Subsequent Equity Sales.

(a) From the date hereof until six months following the Effective Date, the Company shall be prohibited from effecting or entering into an agreement to effect any issuance by the Company or any of its Subsidiaries of Common Stock or Common Stock Equivalents (or a combination of units thereof) involving a Variable Rate Transaction. “Variable Rate Transaction” means a transaction in which the Company (i) issues or sells any debt or equity securities that are convertible into, exchangeable or

exercisable for, or include the right to receive additional shares of Common Stock either (A) at a conversion price, exercise price or exchange rate or other price that is based upon and/or varies with the trading prices of or quotations for the Common Stock at any time after the initial issuance of such debt or equity securities, or (B) with a conversion, exercise or exchange price that is subject to being reset at some future date after the initial issuance of such debt or equity security or upon the occurrence of specified or contingent events directly or indirectly related to the business of the Company or the market for the Common Stock or (ii) enters into, or effects a transaction under, any agreement, including, but not limited to, an equity line of credit or "at the market" offering transaction, whereby the Company may issue securities at a future determined price. Any Purchaser shall be entitled to obtain injunctive relief against the Company to preclude any such issuance, which remedy shall be in addition to any right to collect damages.

(b) Notwithstanding the foregoing, this Section 4.12 shall not apply in respect of an Exempt Issuance.

4.13 Equal Treatment of Purchasers. No consideration (including any modification of any Transaction Document) shall be offered or paid to any Person to amend or consent to a waiver or modification of any provision of the Transaction Documents unless the same consideration is also offered to all of the parties to such Transaction Documents. For clarification purposes, this provision constitutes a separate right granted to each Purchaser by the Company and negotiated separately by each Purchaser, and is intended for the Company to treat the Purchasers as a class and shall not in any way be construed as the Purchasers acting in concert or as a group with respect to the purchase, disposition or voting of Securities or otherwise.

4.14 Certain Transactions and Confidentiality. Each Purchaser, severally and not jointly with the other Purchasers, covenants that neither it, nor any Affiliate acting on its behalf or pursuant to any understanding with it will execute any purchases or sales, including Short Sales, of any of the Company's securities during the period commencing with the execution of this Agreement and ending at such time that the transactions contemplated by this Agreement are first publicly announced pursuant to the initial press release as described in Section 4.5. Each Purchaser, severally and not jointly with the other Purchasers, covenants that until such time as the transactions contemplated by this Agreement are publicly disclosed by the Company pursuant to the initial press release as described in Section 4.5, such Purchaser will maintain the confidentiality of the existence and terms of this transaction

and the information included in the Disclosure Schedules. Notwithstanding the foregoing, and notwithstanding anything contained in this Agreement to the contrary, the Company expressly acknowledges and agrees that (i) no Purchaser makes any representation, warranty or covenant hereby that it will not engage in effecting transactions in any securities of the Company after the time that the transactions contemplated by this Agreement are first publicly announced pursuant to the initial press release as described in Section 4.5, (ii) no Purchaser shall be restricted or prohibited from effecting any transactions in any securities of the Company in accordance with applicable securities laws from and after the time that the transactions contemplated by this Agreement are first publicly announced pursuant to the initial press release as described in Section 4.5 and (iii) no Purchaser shall have any duty of confidentiality or duty not to trade in the securities of the Company to the Company or its Subsidiaries after the issuance of the initial press release as described in Section 4.5. Notwithstanding the foregoing, in the case of a Purchaser that is a multi-managed investment vehicle whereby separate portfolio managers manage separate portions of such Purchaser's assets and the portfolio managers have no direct knowledge of the investment decisions made by the portfolio managers managing other portions of such Purchaser's assets, the covenant set forth above shall only apply with respect to the portion of assets managed by the portfolio manager that made the investment decision to purchase the Securities covered by this Agreement.

4.15 Form D; Blue Sky Filings. The Company agrees to timely file a Form D with respect to the Securities as required under Regulation D and to provide a copy thereof, promptly upon request of any Purchaser. The Company shall take such action as the Company shall reasonably determine is necessary in order to obtain an exemption for, or to qualify the Securities for, sale to the Purchasers at the Closing under applicable securities or "Blue Sky" laws of the states of the United States, and shall provide evidence of such actions promptly upon request of any Purchaser.

4.16 Registration Rights. The Company hereby grants to the Purchasers the following registration rights (the "Registration Rights"):

(a) Registrations on Form S-1. The Company shall be obligated to file two (2) Registration Statements on Form S-1 following the final Closing in accordance with the following terms:

(i) Within 45 days of the final Closing (the "Resale Registration Filing Date"), the Company will use its commercially reasonable best efforts file a Registration Statement on Form S-1 with the Commission (the "Resale Registration")

to register the resale by the Purchasers of all Shares and Warrant Shares (collectively the “Registrable Securities”). The Company shall use its commercially reasonable best efforts to cause the Resale Registration to be declared effective within 120 days of the final Closing (the “Resale Effective Date”). If the Resale Registration Filing Date and/or the Resale Effective Date is not met, each Purchaser will be entitled to receive a cash penalty (as full liquidated damages) equal to one percent (1%) of such Purchaser’s Subscription Amount per month for the first 90 days following the Resale Registration Filing Date or Resale Effective Date (as the case may be), to be increased to two percent (2%) per month thereafter, in each case pro-rated for each 30-day period. Such liquidated damages shall be capped at six months of penalties in the aggregate (which is equal to nine percent (9%) of the Subscription Amount). The Company will further use its commercially reasonable best efforts to keep such Resale Registration continuously effective (including by filing a post-effective amendment to the Resale Registration or a new Registration Statement if the Resale Registration expires) for a period of five (5) years after the Effective Date or for such shorter period as such securities no longer constitute Registrable Securities hereunder; provided, however, that the Company shall not be obligated to effect any such registration, qualification or compliance pursuant to this Section 4.16(a)(i), or keep such registration effective pursuant to the terms hereunder, in any particular jurisdiction in which the Company would be required to qualify to do business as a foreign corporation or as a dealer in securities under the securities laws of such jurisdiction or to execute a general consent to service of process in effecting such registration, qualification or compliance, in each case where it has not already done so; and provided further that the Company will not be in breach of this Section 4.16(a)(i) if the Company engages in a Fundamental Transaction (as defined in the Warrant) approved by the Board of Directors and (if applicable) the stockholders of the Company, the result of which is that the Company’s reporting obligations under the Exchange Act are terminated.

(ii) Between the 61st day and 75th day following the Effective Date (“Re-IPO Filing Date”), the Company will use its commercially reasonable best efforts to file a Registration Statement on Form S-1 with the Commission registering a Qualified Re-IPO (the “Re-IPO Registration”), and the Company shall use its commercially reasonable best efforts to close the Qualified Re-IPO within 180 days from the date the Resale Registration is declared effective by the Commission. If the Re-IPO Registration is not filed with the Commission by the Re-IPO Filing Date, each Purchaser will be entitled to receive a cash penalty (as full liquidated damages) equal to one percent (1%) of such Purchaser’s Subscription Amount per month for the first 90 days following the Re-IPO Filing Date, to be increased to two percent (2%) per month thereafter, in each case pro-rated for each 30-day period. Such liquidated damages shall be capped at six months of penalties in the aggregate (which is equal to nine percent (9%) of the Subscription Amount).

(b) Notwithstanding any other provision of this Agreement, if the Commission sets forth a limitation on the number of Warrant Shares permitted to be registered on the Registration Statement as a secondary offering, the Company shall not be required to pay the liquidated damages described in Section 4.16(a)(i).

4.17 Right of Participation. From the date hereof until the date that is the 36 month anniversary of the final Closing Date, upon any issuance by the Company or any of its subsidiaries of Common Stock, Common Stock Equivalents for cash consideration, indebtedness or a combination of units hereof (a “Subsequent Financing”), each Purchaser shall have the right to participate on a pro-rata basis (with respect to other participating Purchasers and the number of Units purchased by them on the Closing Date) in up to an amount of the Subsequent Financing equal to 30% of the Subsequent Financing (the “Participation Maximum”) on the same terms, conditions and under the same documents, as are offered by the Company to other prospective investors. The Company shall notify the Purchaser in writing not less than five (5) Business Days prior to the proposed closing date of the Subsequent Financing (which date shall be specified in such notice), which notice shall be accompanied by all agreements and other documents then in place to be delivered to or signed by other prospective investors in the Subsequent Financing, and if the Purchaser desires to participate in the Subsequent Financing, it shall so notify the Company in writing not less than two (2) Business days from its receipt of the original notice of the Subsequent Financing, and further shall execute all Subsequent Financing documents as required and deliver them and the purchase price for such securities and such other items as are specified to be delivered under the such documents to the Company on or prior to the Subsequent Financing proposed closing date (or such later date as the Company may agree in writing). Notwithstanding the foregoing, this Section 4.17 shall not apply in respect of an Exempt Issuance, except that no Variable Rate Transaction shall be an Exempt Issuance.

4.18 Acknowledgment of Dilution. The Company acknowledges that the issuance of the Securities may result in dilution of the outstanding Common Stock, which dilution may be substantial under certain market conditions. The Company further acknowledges that its obligations under the Transaction Documents, including, without limitation, its obligation to issue the Shares or Warrant Shares pursuant to the Transaction Documents, are unconditional and absolute and not subject to any right of set off, counterclaim, delay or reduction, regardless of the effect of any such dilution or any claim the Company may have against any Purchaser and regardless of the dilutive effect that such issuance may have on the ownership of the other shareholders of the Company.

**ARTICLE V.
MISCELLANEOUS**

5.1 Termination. This Agreement may be terminated by any Purchaser, as to such Purchaser's obligations hereunder only and without any effect whatsoever on the obligations between the Company and the other Purchasers, by written notice to the other parties, if the Closing has not been consummated on or before the fifth (5th) Trading Day following the date that such Purchaser funds its Subscription Amount to the Escrow Account, provided, however, that no such termination will affect the right of any party to sue for any breach by any other party (or parties).

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5.2 Fees and Expenses. Except as expressly set forth in the Transaction Documents to the contrary, each party shall pay the fees and expenses of its advisers, counsel, accountants and other experts, if any, and all other expenses incurred by such party incident to the negotiation, preparation, execution, delivery and performance of this Agreement. The Company shall pay all Transfer Agent fees (including, without limitation, any fees required for same-day processing of any instruction letter delivered by the Company and any exercise notice delivered by a Purchaser), stamp taxes and other taxes and duties levied in connection with the delivery of any Securities to the Purchasers.

5.3 Entire Agreement. The Transaction Documents, together with the exhibits and schedules thereto, contain the entire understanding of the parties with respect to the subject matter hereof and thereof and supersede all prior agreements and understandings, oral or written, with respect to such matters, which the parties acknowledge have been merged into such documents, exhibits and schedules.

5.4 Notices. Any and all notices or other communications or deliveries required or permitted to be provided hereunder shall be in writing and shall be deemed given and effective on the earliest of: (a) the time of transmission, if such notice or communication is delivered via facsimile at the facsimile number or email attachment at the email address as set forth on the signature pages attached hereto at or prior to 5:30 p.m. (New York City time) on a Trading Day, (b) the next Trading Day after the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number or email attachment at the email address as set forth on the signature pages attached hereto on a day that is not a Trading Day or later than 5:30 p.m. (New York City time) on any Trading Day, (c) the second (2nd) Trading Day following the date of mailing, if sent by U.S. nationally recognized overnight courier service or (d) upon actual receipt by the party to whom such notice is required to be given. The address for such notices and communications shall be as set forth on the signature pages attached hereto. To the extent that any notice provided pursuant to any Transaction Document constitutes, or contains, material, non-public information regarding the Company or any Subsidiaries, the Company shall simultaneously file such notice with the Commission pursuant to a Current Report on Form 8-K.

5.5 Amendments; Waivers. No provision of this Agreement may be waived, modified, supplemented or amended except in a written instrument signed, in the case of an amendment, by the Company and the Purchasers who purchased at least 50.1% in interest of the Shares based on the initial Subscription Amounts hereunder or, in the case of a waiver, by the party against whom enforcement of any such waived provision is sought, provided that if any amendment, modification or waiver disproportionately and adversely impacts a Purchaser (or group of Purchasers), the consent of such disproportionately impacted Purchaser (or group of Purchasers) shall also be required. No waiver of any default with respect to any provision, condition or requirement of this Agreement shall be deemed to be a continuing waiver in the future or a waiver of any subsequent default or a waiver of any other provision, condition or requirement hereof, nor shall any delay or omission of any party to exercise any right hereunder in any manner impair the exercise of any such right. Any proposed amendment or waiver that disproportionately, materially and adversely affects the rights and obligations of any Purchaser relative to the comparable rights and obligations of the other Purchasers shall require the prior written consent of such adversely affected Purchaser. Any amendment effected in accordance with this Section 5.5 shall be binding upon each Purchaser and holder of Securities and the Company.

5.6 Headings. The headings herein are for convenience only, do not constitute a part of this Agreement and shall not be deemed to limit or affect any of the provisions hereof.

5.7 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties and their successors and permitted assigns. The Company may not assign this Agreement or any rights or obligations hereunder without the prior written consent of each Purchaser (other than by merger). Any Purchaser may assign any or all of its rights under this Agreement to any Person to whom such Purchaser assigns or transfers any Securities, provided that such transferee agrees in writing to be bound, with respect to the transferred Securities, by the provisions of the Transaction Documents that apply to the "Purchasers."

5.8 No Third Party Beneficiaries. The Placement Agent shall be the third party beneficiary of the representations and warranties of the Company in Section 3.1 and the representations and warranties of the Purchasers in Section 3.2. This Agreement is intended for the benefit of the parties hereto and their respective successors and permitted assigns and is not for the benefit of, nor may any provision hereof be enforced by, any other Person, except as otherwise set forth in this Section 5.8 and Section 4.9.

5.9 Governing Law. All questions concerning the construction, validity, enforcement and interpretation of the Transaction Documents shall be governed by and construed and enforced in accordance with the internal laws of the State of New York, without regard to the principles of conflicts of law thereof. Each party agrees that all legal Proceedings concerning the interpretations, enforcement and defense of the transactions contemplated by this Agreement and any other Transaction Documents (whether brought against a party hereto or its respective affiliates, directors, officers, shareholders, partners, members, employees or agents) shall be commenced exclusively in the state and federal courts sitting in the City of New York. Each party hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in the City of New York, Borough of Manhattan for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein (including with respect to the enforcement of any of the Transaction Documents), and hereby irrevocably waives, and agrees not to assert in any Action or Proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such Action or Proceeding is improper or is an inconvenient venue for such Proceeding. Each party hereby irrevocably waives personal service of process and consents to process being served in any such Action or Proceeding by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any other manner permitted by law. If any party shall commence an Action or Proceeding to enforce any provisions of the Transaction Documents, then, in addition to the obligations of the Company under Section 4.9, the prevailing party in such Action or Proceeding shall be reimbursed by the non-prevailing party for its reasonable attorneys' fees and other costs and expenses incurred with the investigation, preparation and prosecution of such Action or Proceeding.

5.10 Survival. The representations and warranties contained herein shall survive the Closing and the delivery of the Securities for the applicable statute of limitations.

5.11 Execution. This Agreement may be executed in two or more counterparts, all of which when taken together shall be considered one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to each other party, it being understood that the parties need not sign the same counterpart. In the event that any signature is delivered by facsimile transmission or by e-mail delivery of a ".pdf" format data file, such signature shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such facsimile or ".pdf" signature page were an original thereof.

5.12 Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, illegal, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions set forth herein shall remain in full force and effect and shall in no way be affected, impaired or invalidated, and the parties hereto shall use their commercially reasonable efforts to find and employ an alternative means to achieve the same or substantially the same result as that contemplated by such term, provision, covenant or restriction. It is hereby stipulated and declared to be the intention of the parties that they would have executed the remaining terms, provisions, covenants and restrictions without including any of such that may be hereafter declared invalid, illegal, void or unenforceable.

5.13 Rescission and Withdrawal Right. Notwithstanding anything to the contrary contained in (and without limiting any similar provisions of) any of the other Transaction Documents, whenever any Purchaser exercises a right, election, demand or option under a Transaction Document and the Company does not timely perform its related obligations within the periods therein provided, then such Purchaser may rescind or withdraw, in its sole discretion from time to time upon written notice to the Company, any relevant notice, demand or election in whole or in part without prejudice to its future actions and rights; provided, however, that, in the case of a rescission of an exercise of a Warrant, the applicable Purchaser shall be required to return any Ordinary Shares and/or Ordinary Shares subject to any such rescinded exercise notice concurrently with the return to such Purchaser of the aggregate exercise price paid to the Company for such shares and the restoration of such Purchaser's right to acquire such shares pursuant to such Purchaser's Warrant (including, issuance of a replacement warrant certificate evidencing such restored right).

5.14 Replacement of Securities. If any certificate or instrument evidencing any Securities is mutilated, lost, stolen or destroyed, the Company shall issue or cause to be issued in exchange and substitution for and upon cancellation thereof (in the case of mutilation), or in lieu of and substitution therefor, a new certificate or instrument, but only upon receipt of evidence reasonably satisfactory to the Company of such loss, theft or destruction. The applicant for a new certificate or instrument under such circumstances shall also pay any reasonable third-party costs (including customary indemnity but without any requirement to post any surety bond) associated with the issuance of such replacement Securities.

5.15 Remedies. In addition to being entitled to exercise all rights provided herein or granted by law, including recovery of damages, each of the Purchasers and the Company will be entitled to specific performance under the Transaction Documents. The parties agree that monetary damages may not be adequate compensation for any loss incurred by reason of any breach of obligations contained in the Transaction Documents and hereby agree to waive and not to assert in any Action for specific performance of any such obligation the defense that a remedy at law would be adequate.

5.16 Payment Set Aside. To the extent that the Company makes a payment or payments to any Purchaser pursuant to any Transaction Document or a Purchaser enforces or exercises its rights thereunder, and such payment or payments or the proceeds of such enforcement or exercise or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside, recovered from, disgorged by or are required to be refunded, repaid or otherwise restored to the Company, a trustee, receiver or any other Person under any law (including, without limitation, any bankruptcy law, state or federal law, common law or equitable cause of action), then to the extent of any such restoration the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such enforcement or setoff had not occurred.

5.17 Independent Nature of Purchasers' Obligations and Rights. The obligations of each Purchaser under any Transaction Document are several and not joint with the obligations of any other Purchaser, and no Purchaser shall be responsible in any way for the performance or non-performance of the obligations of any other Purchaser under any Transaction Document. Nothing contained herein or in any other Transaction Document, and no action taken by any Purchaser pursuant hereto or thereto, shall be deemed to constitute the Purchasers as a partnership, an association, a joint venture or any other kind of entity, or create a presumption that the Purchasers are in any way acting in concert or as a group with respect to such obligations or the transactions contemplated by the Transaction Documents. Each Purchaser shall be entitled to independently protect and enforce its rights, including, without limitation, the rights arising out of this Agreement or out of the other Transaction Documents, and it shall not be necessary for any other Purchaser to be joined as an additional party in any Proceeding for such purpose. Each Purchaser has been represented by its own separate legal counsel in its review and negotiation of the Transaction Documents. For reasons of administrative convenience only, each Purchaser and its respective counsel have chosen to communicate with the Company through the legal counsel of the Placement Agent. The legal counsel of the Placement Agent does not represent any of the Purchasers and only represents the Placement Agent. The Company has elected to provide all Purchasers with the same terms and Transaction Documents for the convenience of the Company and not because it was required or requested to do so by any of the Purchasers. It is expressly understood and agreed that each provision contained in this Agreement and in each other Transaction Document is between the Company and a Purchaser, solely, and not between the Company and the Purchasers collectively and not between and among the Purchasers.

5.18 Liquidated Damages. The Company's obligations to pay any liquidated damages or other amounts owing under the Transaction Documents is a continuing obligation of the Company and shall not terminate until all unpaid liquidated damages and other amounts have been paid notwithstanding the fact that the instrument or security pursuant to which such partial liquidated damages or other amounts are due and payable shall have been canceled.

5.19 Saturdays, Sundays, Holidays, etc. If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall not be a Business Day, then such action may be taken or such right may be exercised on the next succeeding Business Day.

5.20 Construction. The parties agree that each of them and/or their respective counsel have reviewed and had an opportunity to revise the Transaction Documents and, therefore, the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of the Transaction Documents or any amendments thereto. In addition, each and every reference to share prices and shares of Common Stock in any Transaction Document shall be subject to adjustment for reverse and forward stock splits, stock dividends, stock combinations and other similar transactions of the Common Stock that occur after the date of this Agreement.

5.21 **WAIVER OF JURY TRIAL.** IN ANY ACTION, SUIT, OR PROCEEDING IN ANY JURISDICTION BROUGHT BY ANY PARTY AGAINST ANY OTHER PARTY, THE PARTIES EACH KNOWINGLY AND INTENTIONALLY, TO THE GREATEST EXTENT PERMITTED BY APPLICABLE LAW, HEREBY ABSOLUTELY, UNCONDITIONALLY, IRREVOCABLY AND EXPRESSLY WAIVES FOREVER TRIAL BY JURY.

(Signature Pages Follow)

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IN WITNESS WHEREOF, the parties hereto have caused this Securities Purchase Agreement to be duly executed by their respective authorized signatories as of the date first indicated above.

BASANITE, INC.

Address for Notice:

2041 NW 15th Avenue
Pompano Beach, Florida 33069

By: /s/ Simon R. Kay

Email: sk@basaniteindustries.com

Name: Simon R. Kay

Title: Interim Acting CEO and President

With a copy to (which shall not constitute notice):

Ellenoff Grossman & Schole LLP
1345 Avenue of the Americas
New York, NY 10105
Attention: Richard I. Anslow
E-Mail: ranslow@egsllp.com

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[SIGNATURE PAGE FOR PURCHASER FOLLOWS]

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[PURCHASER SIGNATURE PAGES TO BASA SECURITIES PURCHASE AGREEMENT]

IN WITNESS WHEREOF, the undersigned have caused this Securities Purchase Agreement to be duly executed by their respective authorized signatories as of the date first indicated above.

Name of Purchaser: _____

Signature of Authorized Signatory of Purchaser: _____

Name of Authorized Signatory: _____

Title of Authorized Signatory: _____

Email Address of Authorized Signatory: _____

Facsimile Number of Authorized Signatory: _____

Address for Notice to Purchaser:

Address for Delivery of Securities to Purchaser (if not same as address for notice):

Subscription Amount: \$ _____

Units:

Shares: _____

Warrants: _____ Beneficial Ownership Blocker 4.99% or 9.99%

Social Security/EIN Number: _____

[SIGNATURE PAGES CONTINUE]

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Exhibit A

Form of Warrant A

See attached.

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Exhibit B

Form of Warrant B

See attached.

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PLACEMENT AGENCY AGREEMENT

August 17, 2021

PERSONAL AND CONFIDENTIAL

Basanite, Inc.
2041 NW 15th Avenue
Pompano Beach, Florida 33069
Attention: Simon R. Kay
Interim Acting Chief Executive Officer

Dear Mr. Kay:

Introduction. Subject to the terms and conditions herein (this “Agreement”), Basanite, Inc. (the “Company”), hereby agrees to sell up to \$5,500,000 of securities of the Company directly to accredited investors (each, an “Investor” and collectively, the “Investors”) through Aegis Capital Corp., as placement agent (the “Placement Agent”).

The securities to be sold shall consist of common stock (“Common Stock”) and two warrants (collectively, the “Warrants”) to purchase shares of Common Stock (the “Warrant Shares” and, together with the Common Stock and Warrants, the “Securities”). The two Warrants (titled “**Warrant A**” and “**Warrant B**”) will be identical in all respects except Warrant B will contain the call feature. The Securities shall consist of units (the “Units”) at a purchase price of \$0.275 per Unit, consisting of (i) one share of Common Stock, (ii) one Warrant A to purchase one share of Common Stock and (iii) one Warrant B. The Warrants will have an exercise price of \$0.33 per share, have a five year term, be non-tradeable, and only cash exercisable if the underlying shares are registered.

The documents executed and delivered by the Company and the Investors in connection with the Offering (as defined below), including, without limitation, a securities purchase agreement (the “Purchase Agreement”) and a Warrant, shall be collectively referred to herein as the “Transaction Documents.” The Placement Agent may retain other brokers or dealers to act as sub-agents or selected-dealers on its behalf in connection with the Offering.

The Company hereby confirms its agreement with the Placement Agent as follows:

Section 1. Agreement to Act as Placement Agent.

(a) On the basis of the representations, warranties and agreements of the Company herein contained, and subject to all the terms and conditions of this Agreement, the Placement Agent shall be the exclusive placement agent in connection with the offering and sale by the Company of the Securities, with the terms of such offering (the “Offering”) to be subject to market conditions and negotiations between the Company, the Placement Agent and the prospective Investors. The Placement Agent will act on a reasonable best efforts basis and the Company agrees and acknowledges that there is no guarantee of the successful placement of the Securities, or any portion thereof, in the prospective Offering. Under no circumstances will the Placement Agent or any of its “Affiliates” (as defined below) be obligated to underwrite or purchase any of the Securities for its own account or otherwise provide any financing. The

810 Seventh Avenue, 18th floor, New York, New York 10019 (212) 813-1010/Fax (212) 813-1047
Member FINRA, SIPC

Placement Agent shall act solely as the Company's agent and not as principal. The Placement Agent shall have no authority to bind the Company with respect to any prospective offer to purchase Securities and the Company shall have the sole right to accept offers to purchase Securities and may reject any such offer, in whole or in part. Subject to the terms and conditions hereof, payment of the purchase price for, and delivery of, the Securities shall be made at the closing of the Offering as provided in the Purchase Agreement (the "Closing" and the date on which each Closing occurs, a "Closing Date"). As compensation for services rendered, on each Closing Date, the Company shall pay to the Placement Agent the fees and expenses set forth below:

(i) A transaction fee equal to nine (9.0%) percent of the gross proceeds of the aggregate amount of Securities sold in the Offering payable at Closing.

(ii) At the Closing, the Company also agrees to reimburse Placement Agent's expenses up to a maximum of \$75,000.

(b) The term of the Placement Agent's exclusive engagement will begin on the date hereof and end on the earlier of the (i) the Closing of the or (ii) the Company's election in its discretion to terminate the Offering or (ii) September 7, 2021. Notwithstanding anything to the contrary contained herein, the provisions concerning confidentiality, indemnification and contribution contained herein and the Company's obligations contained in the indemnification provisions will survive any expiration or termination of this Agreement, and the Company's obligation to pay fees actually earned and payable and to reimburse expenses actually incurred and reimbursable pursuant to Section 1 hereof will survive any expiration or termination of this Agreement. Nothing in this Agreement shall be construed to limit the ability of the Placement Agent or its Affiliates to pursue, investigate, analyze, invest in, or engage in investment banking, financial advisory or any other business relationship with Persons (as defined below) other than the Company. As used herein (i) "Persons" means an individual or corporation, partnership, trust, incorporated or unincorporated association, joint venture, limited liability company, joint stock company, government (or an agency or subdivision thereof) or other entity of any kind and (ii) "Affiliate" means any Person that, directly or indirectly through one or more intermediaries, controls or is controlled by or is under common control with a Person as such terms are used in and construed under Rule 405 under the Securities Act of 1933, as amended (the "Securities Act").

(c) Until the Closing is held, all subscription funds received shall be held by a third party selected by the Placement Agent and the Company (the "Escrow Agent"). The Placement Agent shall not have any independent obligation to verify the accuracy or completeness of any information contained in Purchase Agreement or other subscription documents for the Offering (the "Subscription Documents") or the authenticity, sufficiency or validity of any check delivered by any prospective Investor in payment for the Securities, nor shall the Placement Agent incur any liability with respect to any such verification or failure to verify, unless it had actual knowledge that any information in the Subscription Documents was untrue. All subscription checks and funds shall be promptly and directly delivered without offset or deduction to the Escrow Agent.

(d) The Company agrees, for a period (the "Standstill Period") beginning on the date first written above and ending on the three hundred and sixty five (365) day anniversary of the date first written above, that without the prior written consent of the Placement Agent (such consent not to be unreasonably withheld, conditioned or delayed), it will not (a) offer, sell, issue, or otherwise transfer or dispose of, directly or indirectly, any equity of the Company or any

securities convertible into or exercisable or exchangeable for equity of the Company; (b) file or caused to be filed any registration statement with the Commission relating to the offering of any equity of the Company or any securities convertible into or exercisable or exchangeable for equity of the Company (except in connection with the Uplisting (as defined in the Purchase Agreement) and the satisfaction of the registration rights granted to investors in the Offering); or (c) enter into any agreement or announce the intention to effect any of the actions described in

subsections (a) or (b) hereof (all of such matters, the “Standstill”). So long none of such equity securities shall be saleable in the public market until the expiration of the Standstill Period, the following matters shall not be prohibited by the Standstill: (i) the adoption of an equity incentive plan and the grant of awards or equity pursuant to any equity incentive plan, and the filing of a registration statement on Form S-8; and (ii) any Exempt Issuance (as defined in the Purchase Agreement). Subject to the foregoing exceptions, in no event should any equity transaction during the Standstill Period result in the sale of equity at an offering price less than that of the price paid by investors in the Offering.

Section 2. Representations, Warranties and Covenants of the Company.

(a) The Placement Agent shall be the third party beneficiary of the representations and warranties of the Company to the Investors in the Purchase Agreement.

(b) Any certificate signed by an officer of the Company and delivered to the Placement Agent or to counsel for the Placement Agent shall be deemed to be a representation and warranty by the Company to the Placement Agent as to the matters set forth therein

(c) The Company acknowledges that the Placement Agent will rely upon the accuracy and truthfulness of the foregoing representations and warranties and hereby consents to such reliance.

(d) In connection with the Offering of Securities, the Company has not published, distributed, issued, posted or otherwise used or employed and shall not publish, distribute, issue, post or otherwise use or employ (i) any form of general solicitation or advertising within the meaning of Rule 502 under the Securities Act (“General Solicitation”) other than with the prior written consent of the Placement Agent, or (ii) any General Solicitation that constitutes a written communication within the meaning of Rule 405 under the Securities Act (“Written General Solicitation Material”). Each individual Written General Solicitation Material does not and will not conflict with the information contained in the SEC Reports (as defined below), and does not and will not, contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(e) The Company will furnish a copy of any amendment or supplement to a Written General Solicitation Material to the Placement Agent and counsel for the Placement Agent and obtain the Placement Agent's written consent prior to any publication, distribution, issuance, posting or other use or employment of any such amendment or supplement.

(f) If at any time after the date hereof and prior to a Closing, any event shall have occurred as a result of which any Written General Solicitation Material, as then amended or supplemented, would conflict with the information in the Company's reports, schedules, forms, statements and other documents required to be filed by the Company under the Securities Act and the Securities Exchange Act of 1934, as amended (the “Exchange Act”) (collectively, the “SEC Reports”), or would include an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein or in the SEC Reports, in the light of the circumstances under which they were made, not misleading, or, if for any other reason it shall become necessary to amend or supplement any Written General Solicitation

Material, the Company shall promptly notify the Placement Agent and upon its request, shall use its best efforts to ensure that all purchasers or expected purchasers of the Securities receive corrected Written General Solicitation Materials.

(g) The Company represents, warrants and agrees that all sales of Securities shall be made only to (i) an “accredited investor” as defined in Rule 501(a)(1), (a)(2), (a)(3), (a)(7) or (a)(8) under the Securities Act, (ii) a Sophisticated Investor, or (iii) a Non U.S. Person as defined under Regulation S promulgated under the Securities Act. Notwithstanding the foregoing, the Placement Agent shall use commercially reasonable efforts to assist its customers to complete the Subscription Documents.

(h) None of the Company, any of its predecessors, any affiliated issuer, any director, executive officer, other officer of the Company participating in the Offering, any beneficial owner of 20% or more of the Company's outstanding voting equity securities, calculated on the basis of voting power, any promoter (as that term is defined in Rule 405 under the Securities Act) connected with the Company in any capacity at the time of sale nor any compensated solicitor or any director, executive officer, other officer of the compensated solicitor participating in the Offering, (each, an "Issuer Covered Person" and, together, "Issuer Covered Persons") is subject to any of the "Bad Actor" disqualifications described in Rule 506(d)(1)(i) to (viii) under the Securities Act (a "Disqualification Event"), except for a Disqualification Event covered by Rule 506(d)(2) or (d)(3). The Company has exercised reasonable care to determine whether any Issuer Covered Person is subject to a Disqualification Event. The Company has complied, to the extent applicable, with its disclosure obligations under Rule 506(e), and has furnished to the Placement Agent a copy of any disclosures provided thereunder.

(i) The Company will notify the Placement Agent in writing, prior to a Closing Date of (i) any Disqualification Event relating to any Issuer Covered Person and (ii) any event that would, with the passage of time, become a Disqualification Event relating to any Issuer Covered Person.

(j) In addition, the Placement Agent shall be entitled to rely on the accuracy of all representations and warranties made by the Company to Investors pursuant to the Transaction Documents.

Section 3. Delivery and Payment. The Closing shall occur at the offices of Company counsel (or at such other place as shall be agreed upon by the Placement Agent and the Company, including via remote transmission of Closing documentation). Subject to the terms and conditions hereof, at the Closing payment of the purchase price for the Securities sold on the Closing Date shall be made by Federal Funds wire transfer, against delivery of such Securities, and such Securities shall be registered in such name or names and shall be in such denominations, as the Placement Agent may request at least one business day before the time of purchase.

Deliveries of the documents with respect to the purchase of the Securities, if any, shall be made at the offices of Company counsel. All actions taken at the Closing shall be deemed to have occurred simultaneously.

The Company and the Placement Agent may agree to conduct one or more Closings of the Offering.

Section 4. Covenants and Agreements of the Company. The Company further covenants and agrees with the Placement Agent as follows:

(a) Intentionally Omitted.

(b) Blue Sky Compliance. The Company will cooperate with the Placement Agent and the Investors in endeavoring to qualify the Securities for sale under the securities laws of such jurisdictions (United States and foreign) as the Placement Agent and the Investors may reasonably request and will make such applications, file such documents, and furnish such information as may be reasonably required for that purpose, provided the Company shall not be required to qualify as a foreign corporation or to file a general consent to service of process in any jurisdiction where it is not now so qualified or required to file such a consent, and provided further that the Company shall not be required to produce any new disclosure documents. The Company will, from time to time, prepare and file such statements, reports and other documents as are or may be required to continue such qualifications in effect for so long a period as the Placement Agent may reasonably request for distribution of the Securities. The Company will advise the Placement Agent promptly of the suspension of the qualification or registration of (or any such exemption relating to) the warrants convertible into shares for, for offering, sale or trading in any jurisdiction or any initiation or threat of any proceeding for any such purpose, and in the event of the issuance of any order suspending such qualification, registration or exemption, the Company shall use its best efforts to obtain the withdrawal thereof at the earliest possible moment.

(c) Amendments, Supplements and Other Matters. The Company will comply with the Securities Act and the Exchange Act, and the rules and regulations of the Commission thereunder, so as to permit the completion of the distribution of the Securities as contemplated in this Agreement. If during the Offering period, any event shall occur as a result of which, in the judgment of the Company or in the opinion of the Placement Agent or counsel for the Placement Agent, it becomes necessary to amend or supplement the SEC Reports in order to make the statements therein, in the light of the circumstances under which they were made, as the case may be, not misleading, or if it is necessary at any time to amend or supplement the SEC Reports, the Company will promptly prepare an appropriate amendment or supplement to the SEC Reports, that is necessary in order to make the statements therein as so amended or supplemented, in the light of the circumstances under which they were made, as the case may be, not misleading, or so that the SEC Reports, as so amended or supplemented, will comply with law. Before amending the SEC Reports, the Company will furnish the Placement Agent with a copy of such proposed amendment or supplement and will not distribute any such amendment or supplement to which the Placement Agent reasonably objects.

(d) Copies of any Amendments and Supplements to the SEC Reports. The Company will furnish the Placement Agent, without charge, during the period beginning on the date hereof and ending on the Closing Date of the Offering, as many copies of the SEC Reports and other documents to be furnished to Investors as the Placement Agent may reasonably request.

(e) Tail. The Placement Agent shall be entitled to compensation in accordance with the terms of this Agreement, with respect to any public or private offering or other financing or capital-raising transaction of any kind (“Tail Financing”) to the extent such financing or capital is provided to the Company by U.S. investors whom Placement Agent had introduced to the Company from July 7, 2021 and during the term of this Agreement, if such Tail Financing is consummated at any time within the twelve (12) month period following the expiration or termination of this Agreement.

(f) Transfer Agent. The Company will maintain, at its expense, a registrar and transfer agent for the Common Stock.

(g) Earnings Statement. As soon as practicable and in accordance with applicable requirements under the Securities Act, but in any event not later than 18 months after the Closing Date, the Company will make generally available to its security holders and to the Placement Agent an earnings statement, covering a period of at least 12 consecutive months beginning after the Closing Date, that satisfies the provisions of Section 11(a) and Rule 158 under the Securities Act.

(h) Periodic Reporting Obligations. For as long as the Company remains subject to the reporting requirements of the Exchange Act, the Company will duly file, on a timely basis, with the Commission and the OTC Marketplace (or any successor quotation service, exchange or marketplace including Nasdaq) all reports and documents required to be filed under the Exchange Act within the time periods and in the manner required by the Exchange Act.

(i) Additional Documents. The Company will enter into any customary Closing documentation as the Placement Agent or the Investors deem necessary or appropriate to consummate the Offering, all of which will be in form and substance reasonably acceptable to the Placement Agent and the Investors.

(j) No Manipulation of Price. The Company has not taken, directly or indirectly, any action designed to cause or result in, or that has constituted or might reasonably be expected to constitute, the stabilization or manipulation of the price of any shares of the Common Stock.

(k) Acknowledgment. The Company acknowledges that any advice given by the Placement Agent to the Company is solely for the benefit and use of the Board of Directors of the Company and may not be used, reproduced, disseminated, quoted or referred to, without the Placement Agent's prior written consent.

(l) Announcement of Offering. The Company acknowledges and agrees that the Placement Agent may, subsequent to the Closing and at the Placement Agent's expense, make public its involvement with the Offering.

(m) Reliance on Others. The Company confirms that it will rely on its own counsel and accountants for legal and accounting advice.

(n) Research Matters. By entering into this Agreement, the Placement Agent does not provide any promise, either explicitly or implicitly, of favorable or continued research coverage of the Company and the Company hereby acknowledges and agrees that the Placement Agent's selection as a placement agent for the Offering was in no way conditioned, explicitly or implicitly, on the Placement Agent providing favorable or any research coverage of the Company. In accordance with FINRA Rule 2711(e), the parties acknowledge and agree that the Placement Agent has not directly or indirectly offered favorable research, a specific rating or a specific price target, or threatened to change research, a rating or a price target, to the Company or inducement for the receipt of business or compensation.

Section 5. Conditions of the Obligations of the Placement Agent. The obligations of the Placement Agent hereunder shall be subject to the accuracy of the representations and warranties on the part of the Company set forth in Section 2 hereof and in the Transaction Documents, in each case as of the date hereof and as of the Closing Date as though then made, to the timely performance by each of the Company of its covenants and other obligations hereunder on and as of such dates, and to each of the following additional conditions:

(a) Transaction Documents. The Transactions Documents between the Company and the Investor shall have been executed and delivered.

(b) Corporate Proceedings. All corporate proceedings and other legal matters in connection with this Agreement and the sale and delivery of the Securities, shall have been completed or resolved in a manner reasonably satisfactory to the Placement Agent's counsel, and such counsel shall have been furnished with such papers and information as it may reasonably have requested to enable such counsel to pass upon the matters referred to in this Section 5.

(c) No Material Adverse Change. Subsequent to the execution and delivery of this Agreement and prior to the Closing Date, in the Placement Agent's sole judgment after consultation with the Company, there shall not have occurred any (i) a material adverse effect on the legality, validity or enforceability of any Transaction Document, (ii) a material adverse effect on the results of operations, assets, business, prospects or condition (financial or otherwise) of the Company and the Subsidiaries, taken as a whole, or (iii) a material adverse effect on the Company's ability to perform in any material respect on a timely basis its obligations under any Transaction Document .

(d) Stock Exchange Listing; Quotation. The Common Stock shall be registered under the Exchange Act and shall be quoted on the OTC Market, and the Company shall not have taken any action designed to terminate, or likely to have the effect of terminating, the registration of the Common Stock under the Exchange Act or removal or suspending from trading the Common Stock from the OTC Market, nor shall the Company have received any information suggesting that the Commission or the OTC Market is contemplating terminating such registration or trading.

(e) Additional Documents. On or before the Closing Date, the Placement Agent and counsel for the Placement Agent shall have received such information and documents as they may reasonably require for the purposes of enabling them to pass upon the issuance and sale of the Securities as contemplated herein, or in order

to evidence the accuracy of any of the representations and warranties, or the satisfaction of any of the conditions or agreements, herein contained.

If any condition specified in this Section 5 is not satisfied when and as required to be satisfied, this Agreement may be terminated by the Placement Agent by notice to the Company at any time on or prior to the Closing Date, which termination shall be without liability on the part of any party to any other party, except that Section 6 (Payment of Expenses), Section 7 (Indemnification and Contribution) and Section 8 (Representations and Indemnities to Survive Delivery) shall at all times be effective and shall survive such termination.

Section 6. Payment of Expenses. The Company agrees to pay all costs, fees and expenses incurred by the Company in connection with the performance of its obligations hereunder and in connection with the transactions contemplated hereby, including, without limitation: (i) all expenses incident to the issuance, delivery and qualification of the Securities (including all printing and engraving costs); (ii) all fees and expenses of the registrar and transfer agents of the Common Stock; (iii) all necessary issue, transfer and other stamp taxes in connection with the issuance and sale of the Securities; (iv) all fees and expenses of the Company's counsel, independent public or certified public accountants and other advisors; (v) all costs and expenses incurred in connection with the preparation, printing, filing, shipping and distribution of the SEC Reports, and all amendments and supplements thereto, and this Agreement; (vi) all filing fees, reasonable attorneys' fees and expenses incurred by the Company or the Placement Agent in connection with qualifying or registering (or obtaining exemptions from the qualification or registration of) all or any part of the Securities for offer and sale under the state Securities or blue sky laws or the Securities laws of any other country, and any supplements thereto, advising the Placement Agent of such qualifications, registrations and exemptions; (vii) if applicable, the filing fees incident to the review and approval by FINRA of the Placement Agent's participation in the Offering and distribution of the Securities; (viii) all fees and expenses associated with registering the Securities for resale as set forth in the Purchase Agreement; and (ix) a maximum of \$75,000 for fees and expenses of the Placement Agent, including legal fees and disbursements for Placement Agent's counsel. In the event that the Offering does not close, the Company agrees that it shall reimburse the Placement Agent for all actual, accountable expenses to be borne by the Company under this Section 6, provided that in no event shall such reimbursement exceed \$75,000.

Section 7. Indemnification and Contribution.

(a) The Company agrees to indemnify and hold harmless the Placement Agent, its affiliates and each person controlling the Placement Agent (within the meaning of Section 15 of the Securities Act), and the directors, officers, agents and employees of the Placement Agent, its affiliates and each such controlling person (the Placement Agent, and each such entity or person, an "Indemnified Person") from and against any losses, claims, damages, judgments, assessments, costs and other liabilities (collectively, the "Liabilities"), and shall reimburse each Indemnified Person for all fees and expenses (including the reasonable fees and expenses of one counsel for all Indemnified Persons, except as otherwise expressly provided herein) (collectively, the "Expenses") as they are incurred by an Indemnified Person in investigating, preparing, pursuing or defending any Actions, whether or not any Indemnified Person is a party thereto, (i) caused by a breach by the Company of any of its representations, warranties or covenants contained in this Agreement or in any certificate delivered by or on behalf of the Company in connection with this Agreement, (ii) caused by, or arising out of or in connection with, any untrue statement or alleged untrue statement of a material fact contained in the SEC Reports or by any omission or alleged omission to state therein a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading (other than untrue statements or alleged untrue statements in, or omissions or alleged omissions from, information relating to an Indemnified Person furnished in writing by or on behalf of such Indemnified Person expressly for use in such documents) or (iii) otherwise arising out of or in connection with advice or services rendered or to be rendered by any Indemnified Person pursuant to this Agreement, the transactions contemplated thereby or any Indemnified Person's actions or inactions in connection with any such advice, services or transactions; provided, however, that, in the case of clause (iii) only, the Company shall not be responsible for any Liabilities or Expenses of any Indemnified Person that have resulted primarily from such Indemnified Person's (x) gross negligence, bad faith or willful misconduct in connection with any of the advice, actions, inactions or services referred to above or (y) use of any offering materials

or information concerning the Company in connection with the offer or sale of the shares and warrants in the Offering which were not

authorized for such use by the Company and which use constitutes negligence, bad faith or willful misconduct. The Company also agrees to reimburse each Indemnified Person for all Expenses as they are incurred in connection with enforcing such Indemnified Person's rights under this Agreement.

(b) Upon receipt by an Indemnified Person of actual notice of an Action against such Indemnified Person with respect to which indemnity may be sought under this Agreement, such Indemnified Person shall promptly notify the Company in writing; provided that failure by any Indemnified Person so to notify the Company shall not relieve the Company from any liability which the Company may have on account of this indemnity or otherwise to such Indemnified Person, except to the extent the Company shall have been prejudiced by such failure. The Company shall, if requested by the Placement Agent, assume the defense of any such Action including the employment of counsel reasonably satisfactory to the Placement Agent, which counsel may also be counsel to the Company. Any Indemnified Person shall have the right to employ separate counsel in any such action and participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such Indemnified Person unless: (i) the Company has failed promptly to assume the defense and employ counsel or (ii) the named parties to any such Action (including any impeded parties) include such Indemnified Person and the Company, and such Indemnified Person shall have been advised in the reasonable opinion of counsel that there is an actual conflict of interest that prevents the counsel selected by the Company from representing both the Company (or another client of such counsel) and any Indemnified Person; provided that the Company shall not in such event be responsible hereunder for the fees and expenses of more than one firm of separate counsel for all Indemnified Persons in connection with any Action or related Actions, in addition to any local counsel. The Company shall not be liable for any settlement of any Action effected without its written consent (which shall not be unreasonably withheld). In addition, the Company shall not, without the prior written consent of the Placement Agent (which shall not be unreasonably withheld), settle, compromise or consent to the entry of any judgment in or otherwise seek to terminate any pending or threatened Action in respect of which indemnification or contribution may be sought hereunder (whether or not such Indemnified Person is a party thereto) unless such settlement, compromise, consent or termination includes an unconditional release of each Indemnified Person from all Liabilities arising out of such Action for which indemnification or contribution may be sought hereunder. The indemnification required hereby shall be made by periodic payments of the amount thereof during the course of the investigation or defense, as such expense, loss, damage or liability is incurred and is due and payable.

(c) In the event that the foregoing indemnity is unavailable to an Indemnified Person other than in accordance with this Agreement, the Company shall contribute to the Liabilities and Expenses paid or payable by such Indemnified Person in such proportion as is appropriate to reflect (i) the relative benefits to the Company, on the one hand, and to the Placement Agent and any other Indemnified Person, on the other hand, of the matters contemplated by this Agreement or (ii) if the allocation provided by the immediately preceding clause is not permitted by applicable law, not only such relative benefits but also the relative fault of the Company, on the one hand, and the Placement Agent and any other Indemnified Person, on the other hand, in connection with the matters as to which such Liabilities or Expenses relate, as well as any other relevant equitable considerations; provided that in no event shall the Company contribute less than the amount necessary to ensure that all Indemnified Persons, in the aggregate, are not liable for any Liabilities and Expenses in excess of the amount of fees actually received by the Placement Agent pursuant to this Agreement. For purposes of this paragraph, the relative benefits to the Company, on the one hand, and to the Placement Agent on the other hand, of the matters contemplated by this Agreement shall be deemed to be in the same proportion as (a) the total

value paid or contemplated to be paid to or received or contemplated to be received by the Company in the transaction or transactions that are within the scope of this Agreement, whether or not any such transaction is

consummated, bears to (b) the fees paid to the Placement Agent under this Agreement. Notwithstanding the above, no person guilty of fraudulent misrepresentation within the meaning of Section 11(f) of the Securities Act, shall be entitled to contribution from a party who was not guilty of fraudulent misrepresentation.

(d) The Company also agrees that no Indemnified Person shall have any liability (whether direct or indirect, in contract or tort or otherwise) to the Company for or in connection with advice or services rendered or to be rendered by any Indemnified Person pursuant to this Agreement, the transactions contemplated thereby or any Indemnified Person's actions or inactions in connection with any such advice, services or transactions except for Liabilities (and related Expenses) of the Company that are finally judicially determined to have resulted primarily from such Indemnified Person's gross negligence or willful misconduct in connection with any such advice, actions, inactions or services.

(e) The reimbursement, indemnity and contribution obligations of the Company set forth herein shall apply to any modification of this Agreement and shall remain in full force and effect regardless of any termination of, or the completion of any Indemnified Person's services under or in connection with, this Agreement.

Section 8. Representations and Indemnities to Survive Delivery. The respective indemnities, agreements, representations, warranties and other statements of the Company or any person controlling the Company, of its officers, and of the Placement Agent set forth in or made pursuant to this Agreement will remain in full force and effect, regardless of any investigation made by or on behalf of the Placement Agent, the Company, or any of its or their partners, officers or directors or any controlling person, as the case may be, and will survive delivery of and payment for the shares and warrants sold hereunder and any termination of this Agreement. A successor to the Placement Agent, or to the Company, its directors or officers or any person controlling the Company, shall be entitled to the benefits of the indemnity, contribution and reimbursement agreements contained in this Agreement.

Section 9. Notices. All communications hereunder shall be in writing and shall be mailed, hand delivered, telecopied or e-mailed and confirmed to the parties hereto as follows:

If to the Placement Agent to the address set forth above, attention: Syndicate Department, e-mail: syndicate@aegiscap.com

With a copy (which shall not constitute notice) to:

Sichenzia Ross Ference LLP
1185 Avenue of the Americas, 31st Floor
New York, NY 10036
Attention: Darrin M. Ocasio
E-Mail: DMOcasio@SRF.LAW

If to the Company:

Basanite, Inc.
2041 NW 15th Avenue
Pompano Beach, Florida 33069
Attention: Simon R. Kay
E-Mail: sk@basaniteindustries.com

With a copy (which shall not constitute notice) to:

Ellenoff Grossman & Schole LLP
1345 Avenue of the Americas

New York, NY 10105
Attention: Richard I. Anslow
E-Mail: ranslow@egsllp.com

Any party hereto may change the address for receipt of communications by giving written notice to the others.

Section 10. Successors. This Agreement will inure to the benefit of and be binding upon the parties hereto, and to the benefit of the employees, officers and directors and controlling persons referred to in Section 7 hereof, and to their respective successors, and personal representative, and no other person will have any right or obligation hereunder.

Section 11. Partial Unenforceability. The invalidity or unenforceability of any section, paragraph or provision of this Agreement shall not affect the validity or enforceability of any other section, paragraph or provision hereof. If any Section, paragraph or provision of this Agreement is for any reason determined to be invalid or unenforceable, there shall be deemed to be made such minor changes (and only such minor changes) as are necessary to make it valid and enforceable.

Section 12. Governing Law Provisions. This Agreement shall be deemed to have been made and delivered in New York City and both this Agreement and the transactions contemplated hereby shall be governed as to validity, interpretation, construction, effect and in all other respects by the internal laws of the State of New York, without regard to the conflict of laws principles thereof. Each of the Placement Agent and the Company: (i) agrees that any legal suit, action or proceeding arising out of or relating to this Agreement and/or the transactions contemplated hereby shall be instituted exclusively in New York Supreme Court, County of New York, or in the United States District Court for the Southern District of New York, (ii) waives any objection which it may have or hereafter to the venue of any such suit, action or proceeding, and (iii) irrevocably consents to the jurisdiction of the New York Supreme Court, County of New York, and the United States District Court for the Southern District of New York in any such suit, action or proceeding. Each of the Placement Agent and the Company further agrees to accept and acknowledge service of any and all process which may be served in any such suit, action or proceeding in the New York Supreme Court, County of New York, or in the United States District Court for the Southern District of New York and agrees that service of process upon the Company mailed by certified mail to the Company's address shall be deemed in every respect effective service of process upon the Company, in any such suit, action or proceeding, and service of process upon the Placement Agent mailed by certified mail to the Placement Agent's address shall be deemed in every respect effective service process upon the Placement Agent, in any such suit, action or proceeding. Notwithstanding any provision of this Agreement to the contrary, the Company agrees that neither the Placement Agent nor its affiliates, and the respective officers, directors, employees, agents and representatives of the Placement Agent, its affiliates and each other person, if any, controlling the Placement Agent or any of its affiliates, shall have

any liability (whether direct or indirect, in contract or tort or otherwise) to the Company for or in connection with the engagement and transaction described herein except for any such liability for losses, claims, damages or liabilities incurred by us that are finally judicially determined to have resulted from the bad faith or gross negligence of such individuals or entities. If either party shall commence an action or proceeding to enforce any provision of this Agreement, then the prevailing party in such action or proceeding shall be reimbursed by the other party for its reasonable attorney's fees and other costs and expenses incurred with the investigation, preparation and prosecution of such action or proceeding.

Section 13. General Provisions.

(a) This Agreement constitutes the entire agreement of the parties to this Agreement and supersedes all prior written or oral and all contemporaneous oral agreements, understandings and negotiations with respect to the subject matter hereof. This Agreement may be executed in two or more counterparts, each one of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Agreement may not be amended or modified unless in writing by all of the parties hereto, and no condition herein (express or implied) may be waived unless waived in writing by each party whom the condition is meant to benefit. Section headings herein are for the convenience of the parties only and shall not affect the construction or interpretation of this Agreement.

(b) The Company acknowledges that in connection with the offering of the Securities: (i) the Placement Agent has acted at arm's length, are not agents of, and owe no fiduciary duties to the Company or any other person, (ii) the Placement Agent owes the Company only those duties and obligations set forth in this Agreement and (iii) the Placement Agent may have interests that differ from those of the Company. The Company waives to the full extent permitted by applicable law any claims it may have against the Placement Agent arising from an alleged breach of fiduciary duty in connection with the offering of the Securities.

[The remainder of this page has been intentionally left blank.]

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If the foregoing is in accordance with your understanding of our agreement, please sign below whereupon this instrument, along with all counterparts hereof, shall become a binding agreement in accordance with its terms.

Very truly yours,

AEGIS CAPITAL CORP.,

By: _____

Name: Robert Eide

Title: Chief Executive Officer

The foregoing Placement Agency Agreement is hereby confirmed and accepted as of the date first above written.

Basanite, Inc.

By: _____

Name: Simon R. Kay

Title: Acting Interim President and Chief Executive Officer

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

I, Simon R. Kay, Interim Chief Executive Officer, certify that:

1. I have reviewed this Form 10-Q for the quarter ended June 30, 2021, 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 23, 2021

By: /s/ Simon R. Kay
Name: Simon R. Kay
Title: Interim Chief Executive Officer
(Principal Executive Officer)

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

I, Simon R. Kay, Principal Financial Officer, certify that:

1. I have reviewed this Form 10-Q for the quarter ended June 30, 2021, 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 23, 2021

By: /s/ Simon R. Kay
Name: Simon R. Kay
Title: Principal 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, 2021 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 23, 2021

By: /s/ Simon R. Kay
Name: Simon R. Kay
Title: Interim 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, 2021 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 23, 2021

By: /s/ Simon R. Kay
Name: Simon R. Kay
Title: Principal 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.

Cover - shares**6 Months Ended****Jun. 30, 2021****Aug. 21, 2021****Cover [Abstract]**

<u>Document Type</u>	10-Q	
<u>Amendment Flag</u>	false	
<u>Document Quarterly Report</u>	true	
<u>Document Transition Report</u>	false	
<u>Document Period End Date</u>	Jun. 30, 2021	
<u>Document Fiscal Period Focus</u>	Q2	
<u>Document Fiscal Year Focus</u>	2021	
<u>Current Fiscal Year End Date</u>	--12-31	
<u>Entity File Number</u>	000-53574	
<u>Entity Registrant Name</u>	Basanite, Inc.	
<u>Entity Central Index Key</u>	0001448705	
<u>Entity Tax Identification Number</u>	20-4959207	
<u>Entity Incorporation, State or Country Code</u>	NV	
<u>Entity Address, Address Line One</u>	2041 NW 15th Avenue	
<u>Entity Address, City or Town</u>	Pompano Beach	
<u>Entity Address, State or Province</u>	FL	
<u>Entity Address, Postal Zip Code</u>	33069	
<u>City Area Code</u>	(954)	
<u>Local Phone Number</u>	532-4653	
<u>Entity Current Reporting Status</u>	Yes	
<u>Entity Interactive Data Current</u>	Yes	
<u>Entity Filer Category</u>	Non-accelerated Filer	
<u>Entity Small Business</u>	true	
<u>Entity Emerging Growth Company</u>	false	
<u>Entity Shell Company</u>	false	
<u>Entity Common Stock, Shares Outstanding</u>		248,520,598

**CONDENSED
CONSOLIDATED
BALANCE SHEETS
(UNAUDITED) - USD (\$)**

	Jun. 30, 2021	Dec. 31, 2020
<u>CURRENT ASSETS</u>		
<u>Cash</u>	\$ 77,400	\$ 259,505
<u>Accounts receivable, net</u>	8,509	1,907
<u>Inventory</u>	678,159	446,575
<u>Prepaid expenses</u>	129,915	40,283
<u>Deposits and other current assets</u>	278,323	75,995
<u>TOTAL CURRENT ASSETS</u>	1,172,306	824,265
<u>Lease right-of-use asset</u>	881,666	1,004,167
<u>Fixed assets, net</u>	1,226,440	1,020,035
<u>Total Long-Term Assets</u>	2,108,106	2,024,202
<u>TOTAL ASSETS</u>	3,280,412	2,848,467
<u>CURRENT LIABILITIES</u>		
<u>Accounts payable</u>	358,916	249,353
<u>Accrued expenses</u>	136,950	197,350
<u>Accrued legal liability</u>	503,286	809,127
<u>Notes payable</u>	787,412	128,021
<u>Notes payable – related party</u>	300,000	0
<u>Notes payables - convertible, net</u>	0	10,000
<u>Notes payable - convertible - related party, net</u>	1,689,746	1,025,000
<u>Subscription liability</u>		40,000
<u>Lease liability - current portion</u>	209,034	267,289
<u>TOTAL CURRENT LIABILITIES</u>	3,985,344	2,726,140
<u>Lease liability - net of current portion</u>	756,793	826,388
<u>TOTAL LIABILITIES</u>	4,742,137	3,552,528
<u>STOCKHOLDERS' DEFICIT</u>		
<u>Preferred stock, \$0.001 par value, 5,000,000 shares authorized, none issued and outstanding</u>		
<u>Common stock, \$0.001 par value, 1,000,000,000 shares authorized, 228,522,454 and 224,836,785 shares issued and outstanding, respectively</u>	228,523	224,838
<u>Additional paid-in capital</u>	36,943,818	28,714,488
<u>Accumulated deficit</u>	(38,634,066)	(29,643,387)
<u>TOTAL STOCKHOLDERS' DEFICIT</u>	(1,461,725)	(704,061)
<u>TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT</u>	\$ 3,280,412	\$ 2,848,467

**CONDENSED
CONSOLIDATED
BALANCE SHEETS
(UNAUDITED)**

Jun. 30, 2021 Dec. 31, 2020

(Parenthetical) - \$ / shares

Statement of Financial Position [Abstract]

<u>Preferred stock, par value per share</u>	\$ 0.001	\$ 0.001
<u>Preferred stock, shares authorized</u>	5,000,000	5,000,000
<u>Preferred stock, shares issued</u>	0	0
<u>Preferred stock, shares outstanding</u>	0	0
<u>Common stock, par value per share</u>	\$ 0.001	\$ 0.001
<u>Common stock, shares authorized</u>	1,000,000,000	1,000,000,000
<u>Common stock, shares issued</u>	228,522,454	224,836,785
<u>Common stock, shares outstanding</u>	228,522,454	224,836,785

**CONDENSED
CONSOLIDATED
STATEMENTS OF
OPERATIONS
(UNAUDITED) - USD (\$)**

3 Months Ended

6 Months Ended

**Jun. 30,
2021**

**Jun. 30,
2020**

**Jun. 30,
2021**

**Jun. 30,
2020**

Revenue

<u>Products Sales - Rebar</u>	\$ 15,549	\$ 593	\$ 19,685	\$ 2,218
<u>Total cost of goods sold</u>	19,493	1,603	20,809	2,222
<u>Gross loss</u>	(3,944)	(1,010)	(1,124)	(4)
<u>OPERATING EXPENSES</u>				
<u>Professional fees</u>	79,355	53,016	193,087	162,874
<u>Payroll, taxes and benefits</u>	300,683	162,455	554,798	399,886
<u>Consulting</u>	117,375	81,875	230,625	98,938
<u>General and administrative</u>	950,167	283,034	1,533,937	500,987
<u>Total operating expenses</u>	1,469,755	580,380	2,534,622	1,162,685
<u>NET LOSS FROM OPERATIONS</u>	(1,451,524)	(581,390)	(2,513,571)	(1,162,689)
<u>OTHER INCOME (EXPENSE)</u>				
<u>Gain on settlement of legal contingency</u>	320,037		344,522	
<u>Miscellaneous income</u>	3,116		3,116	70,817
<u>Loss (gain) on extinguishment of debt</u>	(3,056,892)	980	(6,743,015)	980
<u>Loan forgiveness</u>			124,143	
<u>Interest expense</u>	(133,211)	(201,007)	(205,874)	(251,830)
<u>Total other income (expense)</u>	(2,866,950)	(200,027)	(6,477,108)	(180,033)
<u>NET LOSS</u>	\$ (4,318,474)	\$ (781,417)	\$ (8,990,679)	\$ (1,342,722)
<u>Net loss per share – basic and diluted</u>	\$ (0.019)	\$ (0.003)	\$ (0.039)	\$ (0.007)
<u>Weighted average number of shares outstanding - basic and diluted</u>	227,837,337	234,917,946	227,115,792	205,202,856

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY DEFICIT (UNAUDITED) - USD (\$)	Preferred Stock [Member]	Common Stock [Member]	Additional Paid-in Capital [Member]	Retained Earnings [Member]	Total
<u>Beginning balance, value at Dec. 31, 2019</u>		\$ 200,736	\$ 24,216,042	\$ (25,444,056)	\$ (1,027,278)
<u>Beginning balance, Shares at Dec. 31, 2019</u>		200,735,730			
<u>Net loss</u>				(561,305)	(561,305)
<u>Ending balance, value at Mar. 31, 2020</u>		\$ 200,736	24,216,042	(26,005,361)	(1,588,583)
<u>Ending balance, Shares at Mar. 31, 2020</u>		200,735,730			
<u>Beginning balance, value at Dec. 31, 2019</u>		\$ 200,736	24,216,042	(25,444,056)	(1,027,278)
<u>Beginning balance, Shares at Dec. 31, 2019</u>		200,735,730			
<u>Ending balance, value at Jun. 30, 2020</u>		\$ 208,602	25,459,900	(26,786,778)	(1,118,276)
<u>Ending balance, Shares at Jun. 30, 2020</u>		208,601,545			
<u>Beginning balance, value at Mar. 31, 2020</u>		\$ 200,736	24,216,042	(26,005,361)	(1,588,583)
<u>Beginning balance, Shares at Mar. 31, 2020</u>		200,735,730			
<u>Net loss</u>				(781,417)	(781,417)
<u>Stock issued for cash</u>		\$ 6,041	610,626		616,667
<u>Stock issued for cash, shares</u>		6,040,614			
<u>Return of shares issued as loan committee fee</u>		\$ (1,300)	(128,700)		(130,000)
<u>Return of shares issued as loan committee fee, Shares</u>		(1,300,000)			
<u>Convertible debt and debt discount</u>		\$ 3,125	761,932		765,057
<u>Convertible debt and debt discount, Shares</u>		3,125,201			
<u>Ending balance, value at Jun. 30, 2020</u>		\$ 208,602	25,459,900	(26,786,778)	(1,118,276)
<u>Ending balance, Shares at Jun. 30, 2020</u>		208,601,545			
<u>Beginning balance, value at Dec. 31, 2020</u>		\$ 224,838	28,714,488	(29,643,387)	(704,061)

<u>Beginning balance, Shares at Dec. 31, 2020</u>	224,836,785			
<u>Warrants exercised for cash</u>	\$ 1,000	122,500		123,500
<u>Warrants exercised for cash, Shares</u>	1,000,000			
<u>Stock-Based Compensation</u>	\$ 600	173,400		174,000
<u>Stock-based compensation, shares</u>	600,000			
<u>Net loss</u>			(4,672,205)	(4,672,205)
<u>Stock issued for cash</u>	\$ 450	89,550		90,000
<u>Stock issued for cash, shares</u>	450.00			
<u>Warrant Issued with Debt</u>		3,686,123		3,686,123
<u>Ending balance, value at Mar. 31, 2021</u>	\$ 226,888	32,786,061	(34,315,592)	(1,302,643)
<u>Ending balance, Shares at Mar. 31, 2021</u>	226,886,785			
<u>Beginning balance, value at Dec. 31, 2020</u>	\$ 224,838	28,714,488	(29,643,387)	(704,061)
<u>Beginning balance, Shares at Dec. 31, 2020</u>	224,836,785			
<u>Ending balance, value at Jun. 30, 2021</u>	\$ 228,523	36,943,818	(38,634,066)	(1,461,725)
<u>Ending balance, Shares at Jun. 30, 2021</u>	228,522,454			
<u>Beginning balance, value at Mar. 31, 2021</u>	\$ 226,888	32,786,061	(34,315,592)	(1,302,643)
<u>Beginning balance, Shares at Mar. 31, 2021</u>	226,886,785			
<u>Stock-Based Compensation</u>	\$ 900	554,625		555,525
<u>Stock-based compensation, shares</u>	900,000			
<u>Net loss</u>			(4,318,474)	(4,318,474)
<u>Stock issued for cash</u>	\$ 735	241,041		241,776
<u>Stock issued for cash, shares</u>	735,669			
<u>Warrant Issued with Debt</u>		3,362,091		3,362,091
<u>Ending balance, value at Jun. 30, 2021</u>	\$ 228,523	\$ 36,943,818	\$ (38,634,066)	\$ (1,461,725)
<u>Ending balance, Shares at Jun. 30, 2021</u>	228,522,454			

**CONDENSED
CONSOLIDATED
STATEMENTS OF CASH
FLOWS (UNAUDITED) -
USD (\$)**

6 Months Ended

Jun. 30, 2021 Jun. 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES:

Net loss \$ (8,990,679) \$ (1,342,722)

Adjustments to reconcile net loss to net cash used in operating activities:

Lease right-of-use asset amortization 122,501 105,184

Depreciation 63,925 55,774

Amortization of debt discount 186,237

Gain on settlement of legal contingency (344,522)

Loss (gain) on extinguishment of debt 6,743,015 (980)

Loan forgiveness (124,143)

Stock-based compensation 729,525

Changes in operating assets and liabilities:

Prepaid expenses (89,632) (33,252)

Inventory (231,584) 15,639

Accounts receivable (208,930)

Other current assets 47,888

Accounts payable and accrued expenses (203,873) 33,339

Subscription liability (40,000)

Lease liability (127,850) (107,487)

Net cash used in operating activities (2,294,501) (1,040,380)

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of equipment (270,330) (59,377)

Net cash used in investing activities (270,330) (59,377)

CASH FLOWS FROM FINANCING ACTIVITIES:

Proceeds from issuance of common stock 331,776 616,667

Proceeds from warrants exercised for cash 123,500

Repayment of convertible notes payable and convertible notes payable related party (35,000) (348,000)

Proceeds from notes payable and notes payable related party 1,391,194 266,727

Proceeds from convertible notes payable and convertible notes payable related party 579,741 585,000

Repayment of notes payable and notes payable related party (8,485) (33,306)

Net cash provided by financing activities 2,382,726 1,087,088

NET INCREASE (DECREASE) IN CASH (182,105) (12,669)

CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD 259,505 129,152

CASH AND CASH EQUIVALENTS AT END OF PERIOD 77,400 116,483

Supplemental cash flow information:

Cash paid for interest 4,016 34,747

Forgiveness of Paycheck Protection Program loan and accrued interest 124,143

Supplemental disclosure of non cash investing and financing activities:

Return of loan commitment shares (130,000)

Issuance of warrants for services 64,045

<u>Recording of debt discount on convertible notes</u>	685,000
<u>Conversion of convertible notes payable into common stock</u>	80,057
<u>Conversion of note payable in exchange for warrants</u>	\$ 305,199

ORGANIZATION,
NATURE OF BUSINESS
AND GOING CONCERN

6 Months Ended

Jun. 30, 2021

Organization, Consolidation
and Presentation of
Financial Statements

[Abstract]

ORGANIZATION, NATURE
OF BUSINESS AND GOING
CONCERN

NOTE 1 – ORGANIZATION, NATURE OF BUSINESS AND GOING CONCERN

(A) Description of Business

Basanite, Inc., a Nevada corporation (the “Company”, “Basanite”, “we”, “us”, “our” or similar terminology), through our wholly owned subsidiary, Basanite Industries, LLC, a Delaware limited liability company (“BI”), manufactures a range of “green” (environmentally friendly), sustainable, non-corrosive, lightweight, composite products used in concrete reinforcement by the construction industry. Our core product is BasaFlex™, a basalt fiber reinforced polymer reinforcing bar (“rebar”) which we believe is a stronger, lighter, sustainable, non-conductive and corrosion-proof alternative to traditional steel.

Our two other main product lines are BasaMix™, which are fine denier basalt fibers available in various chopped sizes, and BasaMesh™, a line of Basalt Geogrid Mesh Rolls, intended to replace welded wire mesh (made of steel) and other fiber reinforced polymer (“FRB”) grids and mesh.

BasaMix™ is designed to help absorb the stresses associated with early-aged plastic shrinkage and settlement cracking in concrete, as well as providing an increased toughness for enhanced reinforcement in Slab on Grade (SOG) and precast elements. BasaMix™ also serves in a “system approach” for optimum performance of a concrete element when used in conjunction with our BasaFlex™ rebar.

BasaMesh™ is designed for secondary and temperature shrinkage reinforcement. BasaMesh™ can also work in conjunction with the BasaFlex™ rebar or BasaMix™ for a total reinforcement program.

Each of our products is specifically designed to extend the lifecycle of concrete products by eliminating “concrete spalling.” Spalling results from the steel reinforcing materials embedded within the concrete member rusting (contrary to popular belief, concrete is porous and water can permeate into concrete). Rusting leads to the steel expanding and eventually causing the surrounding concrete to delaminate, crack, or even break off, resulting in potential structural failure. We believe that each Basanite product addresses this important need along with other key requirements in today’s construction market.

We believe that the following attributes of BasaFlex™ provide it with a competitive advantage in the marketplace:

- *BasaFlex™ never corrodes:* steel reinforcement products rust, leading to spalling and significant repair costs down the road;
- *BasaFlex™ is sustainable:* BasaFlex™ is made from Basalt rock, the most abundant rock found on Earth’s surface, and offers a longer product lifecycle than traditional steel (the lack of corrosion allows the life span of concrete products reinforced with BasaFlex to be significantly longer);
- *BasaFlex™ is “green”:* From mining, through production, to installation at the building site, *BasaFlex™* has an exceptionally low carbon footprint when compared with that of steel; and

BasaFlex™ has a lower in-place cost: the physical nature of our products relative to steel result in a lower net cost to the contractor once installed, such as: BasaFlex™ is one-quarter of the weight of equivalent sized steel, meaning 4 times the quantity of material can be delivered by the same truck (or container);

- all Basanite products can be loaded/unloaded and moved around the jobsite by hand – no expensive handling equipment is needed; less concrete is required as BasaFlex™ does not require the extra concrete cover needed when using steel; and Basanite products are safer and easier to use. We believe all these factors materially reduce the net in-place cost of concrete reinforcement.

(B) Liquidity and Management Plans

Since inception, the Company has incurred net operating losses and used cash in operations. As of June 30, 2021, and December 31, 2020, respectively, the Company reported:

- an accumulated deficit of \$38,634,066 and \$29,643,387;
- a working capital deficiency of \$2,813,038 and \$1,901,875; and
- cash used in operations of \$2,294,501 and \$2,799,499.

Losses have principally occurred as a result of the substantial resources required for product research and development and for marketing of the Company's products; including the general and administrative expenses associated with the organization.

While we have generated relatively little revenue to date, we continue to receive inquiries from a range of customers for our products, indicating what we believe is a significant level of market interest for BasaFlex™. Some of these inquiries would be for very large potential orders for new, multi-year construction projects. Based on our current limited manufacturing capacity (which we plan to begin to expand with the net proceeds of our private placement offering described in note 13 below), these inquiries (if they lead to actual orders) would exceed our capability to deliver within the customer's requested timeframe, and largely because of this, there is no guarantee that orders will actually be received.

We have historically satisfied our working capital requirements through the sale of restricted common stock and the issuance of warrants and promissory notes. Until we are able to internally generate meaningful revenue and positive cash flow, we will attempt to fund working capital requirements through third party financing, including through potential private or public offerings of our securities as well as bridge or other loan arrangements. However, a number of factors continue to hinder the Company's ability to attract new capital investment. We cannot provide any assurances that the required capital will be obtained at all, 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 to reduce our cash use until sufficient funding is secured. If we are unable to secure funding when needed, our results of operations may suffer, and our business may fail.

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.

At June 30, 2021, the Company had cash of \$77,400 compared to \$259,505 at December 31, 2020. Subsequent to June 30, 2021, cash on hand was increased due to the closing of our private placement offering in August 2021 (see note 13).

**SUMMARY OF
SIGNIFICANT
ACCOUNTING POLICIES**

**6 Months Ended
Jun. 30, 2021**

Accounting Policies

[Abstract]

**SUMMARY OF
SIGNIFICANT
ACCOUNTING POLICIES**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) 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.

Stock-based compensation and stock awards related to convertible debt instruments are recognized based on the fair value of the awards granted. The fair value of each award or conversion feature is typically estimated on the grant date using the Black-Scholes pricing model. The Black-Scholes pricing model requires the input of highly subjective assumptions, including the fair value of the underlying common stock, the expected term of the option, the expected volatility of the price of our common stock, risk-free interest rates and the expected dividend yield of our common stock. The assumptions used to determine the fair value of the stock awards represent management's best estimates. These estimates involve inherent uncertainties and the application of management's judgment.

(B) Principles of Consolidation

The consolidated financial statements include the accounts of Basanite, Inc. and its wholly owned subsidiaries, Basanite Industries, LLC and Basalt America, LLC. All intercompany balances have been eliminated in consolidation. The Company's operations are conducted primarily through Basanite Industries, LLC. Basalt America, LLC is currently inactive.

(C) Cash

The Company considers all highly liquid temporary cash instruments with an original maturity of three months or less to be cash equivalents. The Company places its cash, cash equivalents and restricted cash on deposit with financial institutions in the United States, which are insured by the Federal Deposit Insurance Company ("FDIC") up to \$250,000. The Company's credit risk in the event of failure of these financial institutions is represented by the difference between the FDIC limit and the total amounts on deposit. Management monitors the financial institutions credit worthiness in conjunction with balances on deposit to minimize risk. The Company from time to time may have amounts on deposit in excess of the insured limits.

(D) Inventories

The Company's inventories consist of raw materials, work in process and finished goods, both purchased and manufactured. Inventories are stated at the lower of cost or net realizable value. Cost is determined on the first-in, first-out basis. Raw materials inventory consists primarily 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.

The Company's inventory at June 30, 2021 and December 31, 2020 was comprised of:

	June 30, 2021	December 31, 2020
	(Unaudited)	
Finished goods	\$ 575,360	\$ 305,550
Work in process	23,932	35,286
Raw materials	78,867	105,739
Total inventory	<u>\$ 678,159</u>	<u>\$ 446,575</u>

(E) Fixed assets

Fixed assets consist of the following:

	June 30, 2021	December 31, 2020
	(Unaudited)	
Computer equipment	\$ 117,141	\$ 15,780
Machinery	686,237	667,536
Leasehold improvements	163,882	161,579
Office furniture and equipment	71,292	71,292
Land improvements	7,270	7,270
Website development	2,500	2,500
Construction in process	<u>382,915</u>	<u>234,950</u>
Total fixed assets	1,431,237	1,160,907
Accumulated depreciation	<u>(204,797)</u>	<u>(140,872)</u>
Total fixed assets, net	<u>\$1,226,440</u>	<u>\$1,020,035</u>

Depreciation expense for the three and six months ended June 30, 2021, was \$32,216 and \$63,925, respectively, compared to \$29,947 and \$55,774 to the three and six months ended June 30, 2020.

(F) Deposits and other current assets

The Company's deposits and other current assets consist of the deposits made on equipment, security deposits, utility deposits and other receivables. The deposits are reclassified as part of the fixed asset cost when received and placed into service.

(G) Loss Per Share

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

The following are potentially dilutive shares not included in the loss per share computation:

	June 30, 2021	December 31, 2020
	(Unaudited)	
Options	4,727,778	4,542,500
Warrants	78,620,378	38,920,378
Convertible shares	<u>173,579,371</u>	<u>112,233,406</u>

(H) Stock-Based Compensation

The Company recognizes compensation costs to employees under Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“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 grant.

The Company entered into a consulting agreement with Bridgeview Capital on July 9, 2020 for strategic planning and financial markets services in exchange for shares of restricted common stock as compensation. The term of the agreement is for six months with the option for renewal quarterly. Upon execution of the agreement, 600,000 shares were due within 5 days of execution. The execution date fair value of the shares was \$0.29 per share or \$174,000. If the Company agrees to renew each quarter, an additional 350,000 shares are to be issued per quarter. On July 9, 2021, the Company agreed to renew another quarter and issued 350,000 restricted common shares per the agreement. The execution date fair value of the shares was \$0.23 per share or \$80,500.

The Company entered into a consulting agreement with Seth Shaw on October 13, 2020 for strategic planning and financial markets services in exchange for shares of restricted common stock as compensation. The term of the agreement is for six months with the option for renewal quarterly. Upon execution of the agreement, no shares were due to be issued. If the Company agrees to renew each quarter, 250,000 shares are to be issued per quarter. On July 9, 2021, the Company agreed to renew another quarter and issued 250,000 restricted common shares per the agreement. The execution date fair value of the shares was \$0.23 per share or \$57,500.

The Company entered into a consulting agreement with Frederick Berndt on May 12, 2021 for capital markets advisory services in exchange for restricted warrants to purchase shares of common stock as compensation. The term of the agreement is for twelve months with the option for renewal for an additional six months as needed. If the Company agrees to renew every twelve months, 250,000 warrants are to be issued at that time. On May 12, 2021, the Company issued 250,000 restricted common share warrants per the agreement. The execution date fair value of the warrants was \$0.256 per warrant or \$64,045.

The Company entered into a consulting agreement with Integrous Communications on May 17, 2021 for investor communications services in exchange for shares of restricted common stock as compensation. The term of the agreement is for six months with the option for renewal for an additional six months as needed. If the Company agrees to renew every six months, 300,000 shares are to be issued at that time. On June 10, 2021, the Company issued 300,000 restricted common shares per the agreement. The execution date fair value of the shares was \$0.299 per share or \$89,700.

On May 20, 2021, the Company issued 777,778 options with a strike price of \$0.27 to the Chairman of the Board as partial compensation for the services rendered in such role. The execution date fair value of the options was \$160,857. The options vested fully on May 20, 2021, and expire in 5 years which resulted in stock compensation expense of \$160,857 being recorded as of June 30, 2021.

On May 20, 2021, the Company issued 500,000 options with a strike price of \$0.28 to a director of the Company as partial compensation for services rendered in such role. The execution date fair value of the options was \$102,923. The options vested fully on May 20, 2021, and expire

in 5 years which resulted in stock compensation expense of \$102,923 being recorded as of June 30, 2021.

The Company recognized \$729,525 in stock-based compensation as of June 30, 2021. As of June 30, 2021, \$81,563 of stock was issued for the consulting agreements but not earned as compensation and is included in prepaid expenses on the condensed consolidated balance sheet.

**RECENT ACCOUNTING
PRONOUNCEMENTS**

**6 Months Ended
Jun. 30, 2021**

**[Accounting Changes and
Error Corrections \[Abstract\]](#)**

**[RECENT ACCOUNTING
PRONOUNCEMENTS](#)**

NOTE 3 – RECENT ACCOUNTING PRONOUNCEMENTS

Described below is a new accounting pronouncements issued or proposed by the FASB that has been adopted by the Company. Management does not believe this accounting pronouncement has had or will have a material impact on the Company's consolidated financial position or operating results, except as disclosed below or in future filings of the Company.

In August 2020, the FASB issued ASU No. 2020-06, Debt – Debt with Conversion and other Options (Subtopic 70-20) and Derivatives and Hedging – Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's instruments by removing major separation models required under current accounting principles generally accepted in the United States of America ("U.S. GAAP"). ASU 2020-06 removes certain settlement conditions that are required for equity contracts to qualify for the derivative scope exceptions and also simplifies the diluted earnings per share calculation in certain areas. The standard is effective for public business entities, excluding entities eligible to be smaller reporting companies as defined by the SEC, for fiscal years and interim periods within those fiscal years beginning after December 15, 2021. The Company early adopted this standard on January 1, 2021. By no longer recording embedded conversion features separately from the convertible debt instrument, and instead as a single liability, the Company's financial statements reflect a more simplified view of convertible debt instruments and cash interest expense that is believed to be more relevant than an imputed interest expense that results from the separation of conversion features previously required by U.S. GAAP. The adoption of this standard had no material effect on the Company's condensed consolidated financial statements as of June 30, 2021.

OPERATING LEASE

**6 Months Ended
Jun. 30, 2021**

[Leases \[Abstract\]](#)
[OPERATING LEASE](#)

NOTE 4 – OPERATING LEASE

On January 18, 2019, the Company entered into an agreement to lease approximately 25,470 square feet of office and manufacturing space in Pompano Beach, Florida through March 2024. 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 increasing annually at a rate of three percent for the remainder of the lease term.

The right-of-use asset is composed of the sum of all remaining lease payments plus any initial direct costs and is amortized over the life of the expected lease term. For the expected term of the lease, the Company used 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.

The future minimum lease payments to be made under the operating lease as of June 30, 2021, are:

2021	\$	209,034
2022		427,484
2023		440,308
2024		110,888
Total minimum lease payments		1,187,714
Discount		(221,887)
Operating lease liability	\$	<u>965,827</u>

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, 2021, the weighted-average remaining lease term is 3 years and the weighted-average discount rate used to determine the operating lease liability was 15.0%. For the three months ended June 30, 2021, and 2020, the Company expensed \$107,117 and \$107,595. For the six months ended June 30, 2021, and 2020, the Company expensed \$214,036 and \$215,183, respectively, for rent.

**NOTES PAYABLE –
CONVERTIBLE**

**6 Months Ended
Jun. 30, 2021**

Debt Disclosure [Abstract]

**NOTES PAYABLE –
CONVERTIBLE**

NOTE 5 – NOTES PAYABLE – CONVERTIBLE

Notes payable – convertible totaled \$0 and \$10,000 at June 30, 2021 and December 31, 2020, respectively.

On August 3, 2020, the Company issued an unsecured convertible promissory note to an investor in exchange for \$10,000 bearing an interest rate of 18% per annum and payable in 6 months. The note included provisions which allowed the holder to convert the unpaid principal balance of the note into restricted common stock, of the Company at the conversion rate equal to the per share cash price paid for the shares by any third-party investor(s) with total proceeds to the Company of not less than \$500,000 provided, however, in no event shall the conversion price ever be less than \$0.01 per share. On February 16, 2021, the \$10,000 note was paid along with accrued interest in the amount of \$1,007.

Interest expense for the Company's convertible notes payable for the three and six months ended June 30, 2021 was \$0 and \$161, respectively, compared to \$118,443 and \$158,250 for the three and six months ended June 30, 2020, respectively.

Accrued interest for the Company's convertible notes payable on June 30, 2021 and December 31, 2020 was \$0 and \$760, respectively, and is included in accrued expenses on the condensed consolidated balance sheets.

**NOTES PAYABLE –
CONVERTIBLE –
RELATED PARTY**

6 Months Ended

Jun. 30, 2021

**Notes Payable Convertible
Related Party**

**NOTES PAYABLE –
CONVERTIBLE – RELATED
PARTY**

NOTE 6 – NOTES PAYABLE – CONVERTIBLE – RELATED PARTY

Notes payable – convertible – related party totaled \$1,689,746 and \$1,025,000 on June 30, 2021, and December 31, 2020, respectively.

On August 3, 2020, the Company issued a secured convertible promissory note to certain investors in exchange for \$1,000,000 in the aggregate bearing an interest rate of 20% per annum and payable in 6 months. The holder may convert the unpaid principal balance of the note into shares of restricted common stock, of the Company at the conversion rate equal to the per share cash price paid for the shares by any third-party investor(s) with total proceeds to the Company of not less than \$500,000 provided, however, in no event shall the conversion price ever be less than \$0.01 per share. This note contains a negative covenant that requires the Company to obtain consent prior to incurring any additional equity or debt investments and is secured by all of the assets of the Company. The Richard A. LoRicco Sr. and Lucille M. LoRicco Irrevocable Insurance Trust DTD 4/28/95, Louis Demaio as Trustee (the “Trust”) is the holder of \$750,000 of the principal amount of this note. The Trust was created by Richard A. LoRicco Sr. and Lucille M. LoRicco, who were the parents of Ronald J. LoRicco Sr., one of the members of the Company’s Board of Directors and is maintained by an independent trustee Ronald J. LoRicco Sr. does not have voting or investment control of or power over the Trust but is an anticipated, partial beneficiary of the Trust.

On February 12, 2021, the Company exchanged the original debt for a newly issued amended and restated secured convertible promissory note with a new principal balance of \$1,610,005 bearing an interest rate of 20% per annum and fully payable in 3 months. This was accounted for as debt extinguishment and the new promissory note was recorded at fair value in accordance with ASC 470 “Debt”. The original principal of \$1,000,000 and accrued interest of \$110,005 calculated as of the date of amendment and restatement along with an additional advance of \$500,000 determined the principal amount of the new note. In consideration of the additional advance and the extension of the maturity date of the original note, the Company issued to the noteholders 15,000,000 5-year common stock warrants with an exercise price of \$0.20. The issuance of the warrants for the extension generated a loss on extinguishment of \$3,686,136 for the fair value of the warrants issued.

On May 12, 2021, the Company extended the debt for a newly issued amended and restated secured convertible promissory note with a new principal balance of \$1,689,746 bearing an interest rate of 20% per annum and fully payable in 9 months. The original principal of \$1,610,005 and accrued interest of \$79,742 calculated as of the date of amendment and restatement determined the principal amount of the new note. In consideration of the additional advance and the extension of the maturity date of the original note, the Company issued to the noteholders 7,500,000 5-year common stock warrants with an exercise price of \$0.35. The issuance of the warrants for the extension generated a loss on extinguishment of \$1,874,705 for the fair value of the warrants issued.

Interest expense for the Company’s convertible notes payable – related parties for the three and six months ended June 30, 2021, was \$84,605 and \$151,521, respectively, compared to \$74,029 for the three and six months ended June 30, 2020.

Accrued interest for the Company’s convertible notes payable – related parties on June 30, 2021, and December 31, 2020, was \$46,048 and \$86,574, respectively, and is included in accrued expenses on the condensed consolidated balance sheets.

NOTES PAYABLE

**6 Months Ended
Jun. 30, 2021**

[Debt Disclosure \[Abstract\]](#)
[NOTES PAYABLE](#)

NOTE 7 – NOTES PAYABLE

Notes payable totaled \$787,412 and \$128,021 on June 30, 2021, and December 31, 2020, respectively.

On March 30, 2021, and May 18, 2021, the Company entered financing arrangements to finance the insurance premiums for its liability coverage. The financing has an interest rate of 9.67% and lasts through March 2022. The balance as of June 30, 2021, was \$26,665.

On February 25, 2021, the Company entered a promissory note agreement with its bank to memorialize a \$165,747 loan bearing an interest rate of 1.0% per annum. The loan was made pursuant to the Paycheck Protection Program under the Second Draw PPP Legislation after receiving confirmation from the U.S. Small Business Administration (“SBA”). The Paycheck Protection Program Flexibility Act requires that the funds be used to maintain the current number of employees as well as cover payroll-related costs, monthly mortgage or rent payments and utilities and not more than 40% can be expended on non-payroll-related costs. The applicable maturity date will be the maturity date as established by the SBA. If the SBA does not establish a maturity date or range of allowable maturity dates, the term will be five years.

On April 2, 2021, the Company issued a promissory note with an investor in exchange for \$200,000 bearing an interest rate of 18% per annum and payable in 1 year. The company also issued 2,000,000 common stock warrants at an exercise price of \$0.20 per share expiring in 5 years.

On April 9, 2021, the Company issued a promissory note with an investor in exchange for \$50,000 bearing an interest rate of 18% per annum and payable in 1 year. The company also issued 500,000 common stock warrants at an exercise price of \$0.20 per share expiring in 5 years.

On April 16, 2021, the Company issued a promissory note with an investor, in exchange for \$300,000 bearing an interest rate of 18% per annum. The maturity date for the promissory note is April 16, 2022. The company also issued 3,000,000 common stock warrants at exercise price of \$0.25 per share expiring in 5 years. As of this filing the note remains unexecuted.

On April 16, 2021, the Company issued a promissory note with an investor in exchange for \$25,000 bearing an interest rate of 18% per annum and payable in 1 year. The company also issued 250,000 common stock warrants at an exercise price of \$0.25 per share expiring in 5 years.

On April 16, 2021, the Company issued a promissory note with an investor in exchange for \$20,000 bearing an interest rate of 18% per annum and payable in 1 year. The company also issued 200,000 common stock warrants at an exercise price of \$0.25 per share expiring in 5 years.

On April 16, 2021, the Company issued a promissory note with an investor in exchange for \$300,000 bearing an interest rate of 18% per annum and payable in 1 year. The company also issued 3,000,000 common stock warrants at an exercise price of \$0.25 per share expiring in 5 years.

On April 16, 2021, the Company issued a promissory note with an investor in exchange for \$300,000 bearing an interest rate of 18% per annum and payable in one year. The company also issued 3,000,000 common stock warrants at an exercise price of \$0.25 per share expiring in 5 years. On May 21, 2021, the investor converted the promissory note of \$300,000 in exchange for 6,000,000 common stock warrants at an exercise price of \$0.15 per share expiring in 5 years. The accrued interest of \$5,199 was forgiven. The conversion of the debt to warrants generated a loss on extinguishment of \$1,487,386 for the fair value of the warrants issued.

Interest expense for the Company's notes payable for the three and six months ended June 30, 2021, was \$29,802 and \$30,177, respectively, compared to \$2,025 and \$3,986 to the three and six months ended June 30, 2020.

Accrued interest for the Company's notes payable on June 30, 2021, and December 31, 2020, was \$24,540 and \$0, respectively, and is included in accrued expenses on the condensed consolidated balance sheets.

**NOTES PAYABLE -
RELATED PARTY**

**6 Months Ended
Jun. 30, 2021**

**Notes Payable - Related
Party**

**NOTES PAYABLE -
RELATED PARTY**

NOTE 8 – NOTES PAYABLE - RELATED PARTY

Notes payable - related party totaled \$300,000 and \$0 on June 30, 2021, and December 31, 2020, respectively.

On April 2, 2021, the Company issued a promissory note with Paul Sallarulo, a member of our Board of Directors, in exchange for \$150,000 bearing an interest rate of 18% per annum and payable in 1 year. The company also issued 1,500,000 common stock warrants at an exercise price of \$0.20 per share expiring in 5 years.

On April 2, 2021, the Company issued a promissory note with Michael V. Barbera, our Chairman of the Board, in exchange for \$150,000 bearing an interest rate of 18% per annum and payable in 1 year. The company also issued 1,500,000 common stock warrants at an exercise price of \$0.20 per share expiring in 5 years.

Interest expense for the Company's notes payable – related party for the three and six months ended June 30, 2021, was \$13,335, respectively, compared to \$364 and \$2,455 for the three and six months ended June 30, 2020.

Accrued interest for the Company's notes payable - related party on June 30, 2021, and December 31, 2020, was \$13,335 and \$0, respectively, and is included in accrued expenses on the condensed consolidated balance sheets.

COMMITMENTS AND CONTINGENCIES

**6 Months Ended
Jun. 30, 2021**

Commitments and Contingencies Disclosure

[Abstract]

COMMITMENTS AND CONTINGENCIES

NOTE 9 – COMMITMENTS AND CONTINGENCIES

Supplier Agreement

MEP Consulting Engineers, Inc.

On July 23, 2020, the Company entered into an Exclusive Supplier Agreement with MEP Consulting Engineers, Inc. (“MEP”) of Miami, Florida. MEP engaged the Company as its sole and exclusive supplier and producer of basalt fiber reinforced polymer (“BFRP”) rebar, with the intent of developing a proprietary rebar to be named “Hurricane Bar.” The agreement also provides MEP with exclusive distribution rights to the Company’s BasaFlex™ BFRP rebar and other Company products in Miami-Dade County.

The agreement is targeting substantial volumes of South Florida construction projects in the works, which is expected to generate material revenues over the 5-year period. As compensation, MEP was provided the ability to exercise options to purchase a total of 5,000,000 restricted common shares of the Company, over the 5 years from the supplier agreement effective date, tied to sales performance. This option shall automatically expire after the end of the option period. An extension period is available through specific clauses in the agreement. To date, the compensation portion of the agreement has not been fully executed.

The Company did not produce product under this contract for the period ending June 30, 2021.

CR Business Consultants, Inc.

On October 22, 2020, the Company entered into an Exclusive Supplier Agreement with CR Business Consultants, Inc. (“CRBC”). CRBC agreed to utilize the Company as its exclusive supplier for all Company products, and the Company has granted CRBC exclusive distribution rights of the Company’s products in the Republic of Costa Rica and the Republic of Panama. Furthermore, CRBC has key relationships that could be a source of additional customers for the Company in other territories with no geographic restrictions.

The agreement is targeting multiple large projects in Costa Rica, to include the rebuilding of the Port of Limon, which Basanite has been specified. The recognized construction projects are expected to produce material revenues over the 5-year period. As compensation, CRBC was provided the ability to exercise options to purchase a total of 5,000,000 restricted common shares of the Company, over the 5 years from the supplier agreement effective date, tied to sales performance. This option shall automatically expire after the end of the option period. An extension period is available through specific clauses in the agreement.

The Company did not produce product under this contract for the period ending June 30, 2021.

Legal Matters

In the ordinary course of operations, the Company may become a party to legal proceedings. Based upon information currently available, management believes that such legal proceedings, individually or in the aggregate, will not have a material adverse effect on the Company's business, financial condition, cash flows, or results of operations except as provided below.

CalSTRS Judgement

On March 31, 2014, the Company received a “Notice of Default” letter from legal counsel representing the California State Teachers Retirement System (“CalSTRS”) (the landlord for the Company’s office space) alerting that the Company was in default of its lease for failure to pay monthly rent for the office space located at 2400 East Commercial Boulevard, Suite 612, Fort Lauderdale, Florida 33304. The letter demanded immediate payment of \$41,937 for rent past due as of April 1, 2014. The Company had indicated in writing its intention to cooperate with CalSTRS while trying to resolve the matter. On February 11, 2015, CalSTRS, 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. 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 and the Company has reserved the entire judgement of \$388,866. The total amount is accruing interest at the statutory rate of 4.75%. The accrued interest on the judgement on June 30, 2021, and December 31, 2020, is \$114,419.95 and \$105,260, respectively.

RAW Materials Litigation

On or about August 28, 2018, Raw Energy Materials Corp. (“Raw Energy”) filed an action for declaratory relief and breach of contract in Broward County, Florida, in the 17th Judicial Circuit Court, titled Raw Energy Materials Corp. v. Rockstar Acquisitions, LLC, Paymeon, Inc. (now Basanite, Inc.), and Basalt America, LLC, CASE NO.: CACE 18-020596. An Amended Complaint was filed on or about December 19, 2018, adding the Company’s subsidiary Basanite Industries, LLC as a defendant, as well as an alleged claim under Florida Statute Section 501.201 and for injunction. The Company filed and has pending an amended counterclaim for breach of contract, fraud, and civil conspiracy against Raw Energy affiliates, including Donald R. Smith, Elina Jenkins, Global Energy Sciences, LLC, YellowTurtleDesign, LLC (“YellowTurtle”), as well as former business affiliates/associates to Don Smith, Richard Laurin and Robert Ludwig. The nature of the dispute is based on representations (or misrepresentations) the Company alleges were made to it, as well as breaches of the terms of a licensing agreement, related consulting and other agreements, and failures and refusals of plaintiff and Don Smith related entities to deliver equipment/machinery and goods paid for by the Company or its affiliates. As it became apparent that the subject license agreement was effectively worthless and moot to the Company, and the purported and promised trade secrets and intellectual property were essentially non-existent, the Company and Plaintiff agree to an order terminating that license agreement, which resulted in the agreed order dated January 28, 2019.

A mediation was scheduled on March 4, 2021, which resulted in an impasse. Negotiations were continued, and on April 14, 2021, Basanite, Inc. entered into a settlement and release agreement with RAW, LLC (“RAW”), Donald R. Smith, YellowTurtle and Elina B. Jenkins among others. The settlement agreement provides for, among other things, the following: (i) a dismissal of the legal action as to the above-referenced parties and their owners, agents, affiliated companies, successors and assigns, having Case Number 18-020596 (21) in the Seventeenth Judicial Circuit Court in and for Broward County, Florida (the “Litigation”) upon the Company’s timely purchase of the shares as set forth in the next paragraph below and (ii) mutual general releases for the above-referenced parties relating to the Litigation upon the Company’s timely purchase of the shares as set forth in the next paragraph below.

Simultaneously with the execution of the settlement agreement settling the litigation in full and release of all claims among the parties, the Company entered into stock purchase agreements with both RAW and YellowTurtle to repurchase the 10,000,000 shares of the Company’s common stock held by RAW for \$1,212,121 and the 6,500,000 shares of the Company’s common stock held by YellowTurtle for \$787,879, or an aggregate purchase price of \$2,000,000. On May 17, 2021, the settlement shares were purchased by a group of related and non-related investors which resulted in the closing of this legal action. As a result of the settlement,

the Company recognized a gain on settlement of \$320,037 from the derecognition of previously accrued contingent legal liabilities.

**STOCKHOLDERS'
DEFICIT**

**6 Months Ended
Jun. 30, 2021**

[Equity \[Abstract\]](#)

STOCKHOLDERS' DEFICIT NOTE 10 – STOCKHOLDERS' DEFICIT

On May 21, 2021, the Company converted a \$300,000 note payable into 6,000,000 warrants to purchase shares of the Company's common stock warrants. The fair value of the warrants was recorded as a loss on extinguishment of debt for \$1,487,386 and is included in additional paid-in capital of the statement of stockholders' deficit.

On June 10, 2021, 600,000 shares were issued per the two consulting agreements entered on July 9, 2020, and October 16, 2020, for fundraising services. The value of the shares for both agreements is \$138,000 and will be expensed over the renewable three-month term of the agreement.

On June 10, 2021, 300,000 shares were issued per the consulting agreement entered on May 17, 2021, for investor relations services. The value of the shares for agreement is \$89,700 and will be expensed over the renewable six-month term of the agreement.

The Company issued 735,669 and 1,185,669 restricted common shares to various investors for the three and six months ended June 30, 2021, for cash proceeds totaling \$241,776 and \$331,776, respectively. The Company issued 6,040,614 restricted common shares to various investors for the three and six months ended June 30, 2020, for cash proceeds totaling \$616,667.

**OPTIONS AND
WARRANTS**

**6 Months Ended
Jun. 30, 2021**

**Share-based Payment
Arrangement [Abstract]**

OPTIONS AND WARRANTS NOTE 11 – OPTIONS AND WARRANTS

Stock Options:

The following table summarizes all option grants outstanding to consultants, directors, and employees as of June 30, 2021, and December 31, 2020, and the related changes during these periods are presented below.

	June 30, 2021	December 31, 2020
Options outstanding and exercisable	4,727,778	4,542,500
Weighted-average exercise price	\$ 0.36	\$ 0.41
Aggregate intrinsic value	\$ 579,494	118,148
Weighted-average remaining contractual term (years)	4.19	3.86

The Company uses 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, 2021, 1,092,500 options were cancelled. The company granted 1,277,778 options for the period ending June 30, 2021.

Stock Warrants:

The following table summarizes all warrant grants outstanding to consultants, directors and employees as well as investors as of June 30, 2021, and December 31, 2020, and the related changes during these periods are presented below.

	June 30, 2021	December 31, 2020
Warrants outstanding and exercisable	78,620,378	38,920,378
Weighted-average exercise price	\$ 0.25	\$ 0.27
Aggregate intrinsic value	\$15,067,991	\$ 2,973,660
Weighted-average remaining contractual term (years)	3.86	3.37

During the six months ended June 30, 2021, 40,700,000 five-year 5 warrants were issued. During the six months ended June 30, 2021, 1,000,000 warrants were exercised.

During the three months ended June 30, 2021, and 2020, total stock-based compensation expense amounted to \$482,953 and \$0, respectively.

During the six months ended June 30, 2021, and 2020, total stock-based compensation expense amounted to \$647,963 and \$0, respectively.

RELATED PARTIES

**6 Months Ended
Jun. 30, 2021**

[Related Party Transactions](#)

[\[Abstract\]](#)

[RELATED PARTIES](#)

NOTE 12 – RELATED PARTIES

In addition to those transactions discussed in Notes 5 and 7, the Company had the following related party transactions.

Issuance of notes payable - related parties, totaling \$100,000 and detailed in Note 13 – Subsequent Events.

SUBSEQUENT EVENTS

**6 Months Ended
Jun. 30, 2021**

[Subsequent Events](#)

[\[Abstract\]](#)

[SUBSEQUENT EVENTS](#)

NOTE 13 – SUBSEQUENT EVENTS

On July 7, 2021, the Company issued a promissory note with an entity managed by Ronald J. LoRiccio, Sr., a member of our Board of Directors, in exchange for \$50,000 bearing an interest rate of 10% per annum. The maturity date for the promissory note is July 23, 2021. The note payable remains outstanding as of this filing.

On July 7, 2021, the Company issued a promissory note with Michael V. Barbera, our Chairman of the Board, in exchange for \$50,000 bearing an interest rate of 10% per annum. The maturity date for the promissory note is July 23, 2021. The note payable remains outstanding as of this filing.

On July 9, 2021, 600,000 shares of common stock were issued per the two consulting agreements entered on July 9, 2020, and October 16, 2020, for fundraising services.

On July 15, 2021, the Company issued a promissory note with David Anderson, our Chief Operating Officer, in exchange for \$20,000 bearing an interest rate of 10% per annum. The maturity date for the promissory note is July 23, 2021. The note payable was paid in full on August 18, 2021.

On July 26, 2021, the Company issued a promissory note with David Anderson, our Chief Operating Officer, in exchange for \$30,500 bearing an interest rate of 10% per annum. The maturity date of the promissory note is August 2, 2021. The note payable was paid in full on August 18, 2021.

On July 27, 2021, the Company issued a promissory note with Simon Kay, our Interim Acting Chief Executive Officer and Principal Financial Officer, in exchange for \$10,000 bearing an interest rate of 10% per annum. The maturity date of the promissory note is August 3, 2021. The note payable was paid in full on August 18, 2021.

On August 17, 2021, the Company conducted the closing (the “Closing”) of a private placement offering to accredited investors (the “Offering”) of the Company’s units (the “Units”) at a price of \$0.275 per Unit, with each Unit consisting of: (i) one (1) share of the Company’s common stock, (ii) a five-year, immediately exercisable warrant (“Warrant A”) to purchase one (1) share of common stock at an exercise price of \$0.33 per share (“Exercise Price”) and (iii) an additional five-year, immediately exercisable warrant to purchase one (1) share of common stock at the Exercise Price (“Warrant B”). The Warrant A and Warrant B are identical, except that the Warrant B has a call feature in favor of the Company.

In connection with the Closing, the Company entered into definitive securities purchase agreements with 17 accredited investors and issued an aggregate of 19,398,144 shares of common stock, Warrant As to purchase up to an aggregate of 19,398,144 shares of Common Stock, and Warrant Bs to purchase up to an aggregate of 19,398,144 shares of Common Stock (for an aggregate of 38,796,288 Warrant Shares), for aggregate gross proceeds to the Company of approximately \$5,334,490. No actual Units were issued in the Offering. Aegis Capital Corp. (“Aegis”) acted as the Company’s placement agent in connection with the Offering, for which Aegis received customary cash fees and expense reimbursements.

The net proceeds of the Offering (approximately \$4,770,000) will be used by the Company for expansion of its manufacturing capability, sales and marketing, satisfaction of certain indebtedness and general working capital purposes.

**SUMMARY OF
SIGNIFICANT
ACCOUNTING POLICIES
(Policies)**

6 Months Ended

Jun. 30, 2021

Accounting Policies

[Abstract]

**Use of Estimates in Financial
Statements**

(A) 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.

Stock-based compensation and stock awards related to convertible debt instruments are recognized based on the fair value of the awards granted. The fair value of each award or conversion feature is typically estimated on the grant date using the Black-Scholes pricing model. The Black-Scholes pricing model requires the input of highly subjective assumptions, including the fair value of the underlying common stock, the expected term of the option, the expected volatility of the price of our common stock, risk-free interest rates and the expected dividend yield of our common stock. The assumptions used to determine the fair value of the stock awards represent management's best estimates. These estimates involve inherent uncertainties and the application of management's judgment.

Principles of Consolidation

(B) Principles of Consolidation

The consolidated financial statements include the accounts of Basanite, Inc. and its wholly owned subsidiaries, Basanite Industries, LLC and Basalt America, LLC. All intercompany balances have been eliminated in consolidation. The Company's operations are conducted primarily through Basanite Industries, LLC. Basalt America, LLC is currently inactive.

Cash

(C) Cash

The Company considers all highly liquid temporary cash instruments with an original maturity of three months or less to be cash equivalents. The Company places its cash, cash equivalents and restricted cash on deposit with financial institutions in the United States, which are insured by the Federal Deposit Insurance Company ("FDIC") up to \$250,000. The Company's credit risk in the event of failure of these financial institutions is represented by the difference between the FDIC limit and the total amounts on deposit. Management monitors the financial institutions credit worthiness in conjunction with balances on deposit to minimize risk. The Company from time to time may have amounts on deposit in excess of the insured limits.

Inventories

(D) Inventories

The Company's inventories consist of raw materials, work in process and finished goods, both purchased and manufactured. Inventories are stated at the lower of cost or net realizable value. Cost is determined on the first-in, first-out basis. Raw materials inventory consists primarily 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.

The Company's inventory at June 30, 2021 and December 31, 2020 was comprised of:

June 30, 2021	December 31,
--------------------------	-------------------------

	<u>(Unaudited)</u>	<u>2020</u>
Finished goods	\$ 575,360	\$ 305,550
Work in process	23,932	35,286
Raw materials	78,867	105,739
Total inventory	<u>\$ 678,159</u>	<u>\$ 446,575</u>

Fixed assets

(E) Fixed assets

Fixed assets consist of the following:

	<u>June 30, 2021</u>	<u>December 31, 2020</u>
	<u>(Unaudited)</u>	
Computer equipment	\$ 117,141	\$ 15,780
Machinery	686,237	667,536
Leasehold improvements	163,882	161,579
Office furniture and equipment	71,292	71,292
Land improvements	7,270	7,270
Website development	2,500	2,500
Construction in process	<u>382,915</u>	<u>234,950</u>
Total fixed assets	1,431,237	1,160,907
Accumulated depreciation	<u>(204,797)</u>	<u>(140,872)</u>
Total fixed assets, net	<u>\$1,226,440</u>	<u>\$1,020,035</u>

Depreciation expense for the three and six months ended June 30, 2021, was \$32,216 and \$63,925, respectively, compared to \$29,947 and \$55,774 to the three and six months ended June 30, 2020.

Deposits and other current assets

(F) Deposits and other current assets

The Company's deposits and other current assets consist of the deposits made on equipment, security deposits, utility deposits and other receivables. The deposits are reclassified as part of the fixed asset cost when received and placed into service.

Loss Per Share

(G) Loss Per Share

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

The following are potentially dilutive shares not included in the loss per share computation:

	<u>June 30, 2021</u>	<u>December 31, 2020</u>
	<u>(Unaudited)</u>	
Options	4,727,778	4,542,500
Warrants	78,620,378	38,920,378
Convertible shares	<u>173,579,371</u>	<u>112,233,406</u>
	<u>256,927,527</u>	<u>155,696,284</u>

The Company recognizes compensation costs to employees under Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“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 grant.

The Company entered into a consulting agreement with Bridgeview Capital on July 9, 2020 for strategic planning and financial markets services in exchange for shares of restricted common stock as compensation. The term of the agreement is for six months with the option for renewal quarterly. Upon execution of the agreement, 600,000 shares were due within 5 days of execution. The execution date fair value of the shares was \$0.29 per share or \$174,000. If the Company agrees to renew each quarter, an additional 350,000 shares are to be issued per quarter. On July 9, 2021, the Company agreed to renew another quarter and issued 350,000 restricted common shares per the agreement. The execution date fair value of the shares was \$0.23 per share or \$80,500.

The Company entered into a consulting agreement with Seth Shaw on October 13, 2020 for strategic planning and financial markets services in exchange for shares of restricted common stock as compensation. The term of the agreement is for six months with the option for renewal quarterly. Upon execution of the agreement, no shares were due to be issued. If the Company agrees to renew each quarter, 250,000 shares are to be issued per quarter. On July 9, 2021, the Company agreed to renew another quarter and issued 250,000 restricted common shares per the agreement. The execution date fair value of the shares was \$0.23 per share or \$57,500.

The Company entered into a consulting agreement with Frederick Berndt on May 12, 2021 for capital markets advisory services in exchange for restricted warrants to purchase shares of common stock as compensation. The term of the agreement is for twelve months with the option for renewal for an additional six months as needed. If the Company agrees to renew every twelve months, 250,000 warrants are to be issued at that time. On May 12, 2021, the Company issued 250,000 restricted common share warrants per the agreement. The execution date fair value of the warrants was \$0.256 per warrant or \$64,045.

The Company entered into a consulting agreement with Integrous Communications on May 17, 2021 for investor communications services in exchange for shares of restricted common stock as compensation. The term of the agreement is for six months with the option for renewal for an additional six months as needed. If the Company agrees to renew every six months, 300,000 shares are to be issued at that time. On June 10, 2021, the Company issued 300,000 restricted common shares per the agreement. The execution date fair value of the shares was \$0.299 per share or \$89,700.

On May 20, 2021, the Company issued 777,778 options with a strike price of \$0.27 to the Chairman of the Board as partial compensation for the services rendered in such role. The execution date fair value of the options was \$160,857. The options vested fully on May 20, 2021, and expire in 5 years which resulted in stock compensation expense of \$160,857 being recorded as of June 30, 2021.

On May 20, 2021, the Company issued 500,000 options with a strike price of \$0.28 to a director of the Company as partial compensation for services rendered in such role. The execution date fair value of the options was \$102,923. The options vested fully on May 20, 2021, and expire in 5 years which resulted in stock compensation expense of \$102,923 being recorded as of June 30, 2021.

The Company recognized \$729,525 in stock-based compensation as of June 30, 2021. As of June 30, 2021, \$81,563 of stock was issued for the consulting agreements but not earned as compensation and is included in prepaid expenses on the condensed consolidated balance sheet.

**SUMMARY OF
SIGNIFICANT
ACCOUNTING POLICIES
(Tables)**

6 Months Ended

Jun. 30, 2021

[Accounting Policies \[Abstract\]](#)

[Schedule of Inventory](#)

	June 30, 2021	December 31, 2020
	(Unaudited)	
Finished goods	\$ 575,360	\$305,550
Work in process	23,932	35,286
Raw materials	78,867	105,739
Total inventory	\$ 678,159	\$446,575

[Schedule of Fixed Assets](#)

	June 30, 2021	December 31, 2020
	(Unaudited)	
Computer equipment	\$ 117,141	\$ 15,780
Machinery	686,237	667,536
Leasehold improvements	163,882	161,579
Office furniture and equipment	71,292	71,292
Land improvements	7,270	7,270
Website development	2,500	2,500
Construction in process	382,915	234,950
Total fixed assets	1,431,237	1,160,907
Accumulated depreciation	(204,797)	(140,872)
Total fixed assets, net	\$1,226,440	\$1,020,035

[Schedule of Dilutive Shares Not Included in Loss Per Share
Computation](#)

	June 30, 2021	December 31, 2020
	(Unaudited)	
Options	4,727,778	4,542,500
Warrants	78,620,378	38,920,378
Convertible shares	173,579,371	112,233,406
	256,927,527	155,696,284

**OPERATING LEASE
(Tables)**

**6 Months Ended
Jun. 30, 2021**

[Leases \[Abstract\]](#)

[Schedule of Maturity of Operating Lease Liability](#)

2021	\$ 209,034
2022	427,484
2023	440,308
2024	110,888
Total minimum lease payments	1,187,714
Discount	(221,887)
Operating lease liability	<u>\$ 965,827</u>

**OPTIONS AND
WARRANTS (Tables)**

**6 Months Ended
Jun. 30, 2021**

[Share-based Payment Arrangement, Option \[Member\]](#)
[Share-based Compensation Arrangement by Share-based
Payment Award \[Line Items\]](#)
[Schedule of Summary of Options and Warrants Assumptions to
Estimate Fair Value of Options Granted](#)

	June 30, 2021	December 31, 2020
Options outstanding and exercisable	4,727,778	4,542,500
Weighted-average exercise price	\$ 0.36	\$ 0.41
Aggregate intrinsic value	\$ 579,494	118,148
Weighted-average remaining contractual term (years)	4.19	3.86

[Warrant \[Member\]](#)
[Share-based Compensation Arrangement by Share-based
Payment Award \[Line Items\]](#)
[Schedule of Summary of Options and Warrants Assumptions to
Estimate Fair Value of Options Granted](#)

	June 30, 2021	December 31, 2020
Warrants outstanding and exercisable	78,620,378	38,920,378
Weighted-average exercise price	\$ 0.25	\$ 0.27
Aggregate intrinsic value	\$15,067,991	\$ 2,973,660
Weighted-average remaining contractual term (years)	3.86	3.37

**ORGANIZATION,
NATURE OF BUSINESS
AND GOING CONCERN
(Details Narrative) - USD (\$)**

	6 Months Ended		12 Months Ended
	Jun. 30, 2021	Jun. 30, 2020	Dec. 31, 2020
<u>Organization, Consolidation and Presentation of Financial Statements [Abstract]</u>			
<u>Accumulated deficit</u>	\$ 38,634,066		\$ 29,643,387
<u>Working capital deficiency</u>	2,813,038		1,901,875
<u>Net Cash Provided by (Used in) Operating Activities</u>	2,294,501	\$ 1,040,380	(2,799,499)
<u>Net Cash Provided by (Used in) Operating Activities</u>	(2,294,501)	\$ (1,040,380)	2,799,499
<u>Cash</u>	\$ 77,400		\$ 259,505

**SUMMARY OF
SIGNIFICANT
ACCOUNTING POLICIES Jun. 30, 2021 Dec. 31, 2020
(Schedule of Inventory)
(Details) - USD (\$)**

Accounting Policies [Abstract]

<u>Finished goods</u>	\$ 575,360	\$ 305,550
<u>Work in process</u>	23,932	35,286
<u>Raw materials</u>	78,867	105,739
<u>Total inventory</u>	\$ 678,159	\$ 446,575

**SUMMARY OF
SIGNIFICANT
ACCOUNTING POLICIES
(Fixed assets) (Details) - USD
(\$)**

Jun. 30, 2021 Dec. 31, 2020

Property, Plant and Equipment [Line Items]

<u>Total fixed assets</u>	\$ 1,431,237	\$ 1,160,907
<u>Accumulated depreciation</u>	(204,797)	(140,872)
<u>Total fixed assets, net</u>	1,226,440	1,020,035

Computer Equipment [Member]

Property, Plant and Equipment [Line Items]

<u>Total fixed assets</u>	117,141	15,780
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Machinery [Member]

Property, Plant and Equipment [Line Items]

<u>Total fixed assets</u>	686,237	667,536
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Leasehold Improvements [Member]

Property, Plant and Equipment [Line Items]

<u>Total fixed assets</u>	163,882	161,579
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Office Equipment [Member]

Property, Plant and Equipment [Line Items]

<u>Total fixed assets</u>	71,292	71,292
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Land and Land Improvements [Member]

Property, Plant and Equipment [Line Items]

<u>Total fixed assets</u>	7,270	7,270
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Website Development [Member]

Property, Plant and Equipment [Line Items]

<u>Total fixed assets</u>	2,500	2,500
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Construction in Progress [Member]

Property, Plant and Equipment [Line Items]

<u>Total fixed assets</u>	\$ 382,915	\$ 234,950
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**SUMMARY OF
SIGNIFICANT
ACCOUNTING POLICIES**
(Schedule of Dilutive Shares
Not Included in Loss Per
Share Computation)
(Details) - shares

6 Months Ended

**Jun. 30,
2021** **Jun. 30,
2020**

Antidilutive Securities Excluded from Computation of Earnings Per Share [Line Items]

<u>Dilutive shares not included in loss per share computation Equity Option [Member]</u>	256,927,527	155,696,284
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Antidilutive Securities Excluded from Computation of Earnings Per Share [Line Items]

<u>Dilutive shares not included in loss per share computation Warrant [Member]</u>	4,727,778	4,542,500
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Antidilutive Securities Excluded from Computation of Earnings Per Share [Line Items]

<u>Dilutive shares not included in loss per share computation Convertible Debt Securities [Member]</u>	78,620,378	38,920,378
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Antidilutive Securities Excluded from Computation of Earnings Per Share [Line Items]

<u>Dilutive shares not included in loss per share computation</u>	173,579,371	112,233,406
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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Details Narrative) - USD (\$)	Jul. 09, 2021	Jun. 10, 2021	May 12, 2021	Jan. 09, 2021	1	3	6	May 17, 2021	Oct. 13, 2020	Jul. 09, 2020
					Months Ended May 20, 2021	Months Ended Jun. 30, 2021	Months Ended Jun. 30, 2020			
Share-based Compensation Arrangement by Share-based Payment Award [Line Items]										
Cash insured amount						\$ 250,000	\$ 250,000			
Depreciation expense						\$ 32,216	\$ 29,947	\$ 63,925	\$ 55,774	
Stock compensation expense								729,525		
Consulting Agreement [Member]										
Share-based Compensation Arrangement by Share-based Payment Award [Line Items]										
Shares due			250,000						300,000	250,000 600,000
Fair value of shares				\$ 0.23						\$ 0.29
Shares to be issued										350,000
Restricted common shares issued	350,000									
Fair value of restricted common shares issued	\$ 80,500									
Stock compensation expense							\$ 81,563			
Consulting Agreement 1 [Member]										
Share-based Compensation Arrangement by Share-based Payment Award [Line Items]										
Fair value of shares		\$ 0.299	\$ 0.256	\$ 0.23						
Restricted common shares issued		300,000	250,000	250,000						
Fair value of restricted common shares issued		\$ 89,700	\$ 64,045	\$ 57,500						
Options [Member] Chairman [Member]										
Share-based Compensation Arrangement by Share-based Payment Award [Line Items]										
Share option issued					777,778					
Strike price					\$ 0.27					
Grant date fair value of the options					\$ 160,857					
Options expire					5 years					

<u>Stock compensation expense</u>	\$
	160,857
<u>Options [Member] Director [Member]</u>	
<u>Share-based Compensation Arrangement by Share-based Payment Award [Line Items]</u>	
<u>Share option issued</u>	500,000
<u>Strike price</u>	\$ 0.28
<u>Grant date fair value of the options</u>	\$ 102,923
<u>Options expire</u>	5 years
<u>Stock compensation expense</u>	\$ 102,923

OPERATING LEASE
(Schedule of Future
Minimum Lease Payments
under Operating Lease)
(Details)

Jun. 30, 2021
USD (\$)

Leases [Abstract]

<u>2021</u>	\$ 209,034
<u>2022</u>	427,484
<u>2023</u>	440,308
<u>2024</u>	110,888
<u>Total minimum lease payments</u>	1,187,714
<u>Discount</u>	(221,887)
<u>Operating lease liability</u>	\$ 965,827

OPERATING LEASE 1 Months Ended 3 Months Ended 6 Months Ended
(Details Narrative) - USD (\$) **Mar. 25, 2019** **Jun. 30, 2021** **Jun. 30, 2020** **Jun. 30, 2021** **Jun. 30, 2020**

Leases [Abstract]

<u>Base rent obligation</u>	\$ 33,825				
<u>Lease term</u>		3 years		3 years	
<u>Weighted average discount rate</u>		15.00%		15.00%	
<u>Operating lease rent expense</u>		\$ 107,117	\$ 107,595	\$ 214,036	\$ 215,183

**NOTES PAYABLE –
 CONVERTIBLE (Details
 Narrative) - USD (\$)**

		1 Months Ended	3 Months Ended	6 Months Ended		
	Aug. 03, 2020	Feb. 16, 2021	Jun. 30, 2021	Jun. 30, 2020	Jun. 30, 2021	Jun. 30, 2020
						Dec. 31, 2020
<u>Short-term Debt [Line Items]</u>						
<u>Note payable - convertible</u>			\$ 0		\$ 0	\$ 10,000
<u>Proceeds from convertible debt</u>					579,741	\$ 585,000
<u>Repayments of convertible debt</u>					35,000	348,000
<u>Convertible Notes Payable [Member]</u>						
<u>Short-term Debt [Line Items]</u>						
<u>Interest expense</u>			0	\$ 118,443	161	\$ 158,250
<u>Accrued interest</u>			\$ 0		\$ 0	\$ 760
<u>Unsecured Convertible Promissory Note With Investor [Member]</u>						
<u>Short-term Debt [Line Items]</u>						
<u>Amount of debt conversion</u>	\$ 10,000					
<u>Interest rate</u>	18.00%					
<u>Debt Instrument, Term</u>	6 months					
<u>Proceeds from convertible debt</u>	\$ 500,000					
<u>Conversion price</u>	\$ 0.01					
<u>Repayments of convertible debt</u>		\$ 10,000				
<u>Accrued interest paid</u>		\$ 1,007				

NOTES PAYABLE – CONVERTIBLE – RELATED PARTY (Details Narrative) - USD (\$)				3 Months Ended		6 Months Ended		Dec. 31, 2020
	May 12, 2021	Feb. 12, 2021	Aug. 03, 2020	Jun. 30, 2021	Jun. 30, 2020	Jun. 30, 2021	Jun. 30, 2020	
<u>Schedule of Capitalization, Long-term Debt [Line Items]</u>								
<u>Notes payable - convertible - related party</u>				\$ 1,689,746		\$ 1,689,746		\$ 1,025,000
<u>Proceeds from convertible debt</u>						579,741	\$ 585,000	
<u>Repayments of Convertible Debt</u>						\$ 35,000	348,000	
<u>Warrants Term</u>						5 years		
<u>Gain (Loss) on Extinguishment of Debt Convertible Promissory Note Investors [Member]</u>				(3,056,892)	\$ 980	\$ (6,743,015)	⁹⁸⁰	
<u>Schedule of Capitalization, Long-term Debt [Line Items]</u>								
<u>Amount of debt conversion</u>				\$ 1,000,000				
<u>Interest rate</u>	20.00%	20.00%	20.00%					
<u>Debt Instrument, Term</u>	9 months	3 months	6 months					
<u>Proceeds from convertible debt</u>				\$ 500,000				
<u>Conversion price</u>				\$ 0.01				
<u>Debt principal amount</u>	\$ 1,689,746	\$ 1,610,005	\$ 750,000					
<u>Repayments of Convertible Debt</u>	1,610,005	1,000,000						
<u>[custom:AccruedInterestPaid] Debt Conversion, Converted Instrument, Warrants or Options Issued</u>	\$ 79,742	\$ 110,005						
<u>Warrants Term</u>	5 years	5 years						
<u>Extinguishment of Debt, Gain (Loss), Net of Tax</u>		\$ 3,686,136						
<u>Class of Warrant or Right, Exercise Price of Warrants or Rights</u>	\$ 0.35							
<u>Gain (Loss) on Extinguishment of Debt Convertible Notes Payable Related Party [Member]</u>	\$ 1,874,705							

Schedule of Capitalization,
Long-term Debt [Line Items]

Interest expense

84,605	\$	151,521	\$
	74,029		74,029

Accrued interest

\$ 46,048	\$ 46,048	\$ 86,574
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NOTES PAYABLE (Details Narrative) - USD (\$)	1 Months Ended				3 Months Ended	6 Months Ended						
	Apr. 09, 2021	Apr. 02, 2021	May 21, 2021	Apr. 16, 2021	Apr. 02, 2021	Jun. 30, 2021	Jun. 30, 2020	Jun. 30, 2021	Jun. 30, 2020	Mar. 30, 2021	Feb. 25, 2021	Dec. 31, 2020
Debt Instrument [Line Items]												
Notes payable						\$ 787,412		\$ 787,412				\$ 128,021
Warrant expire term								5 years				
Gain (Loss) on Extinguishment of Debt Promissory Note [Member]						(3,056,892)	\$ 980		\$ (6,743,015)	\$ 980		
Debt Instrument [Line Items]												
Gain (Loss) on Extinguishment of Debt Promissory Note [Member]			\$ 1,487,386									
Debt Instrument [Line Items]												
Accrued interest forgave Notes Payables [Member]								5,199				
Debt Instrument [Line Items]												
Interest expense						29,802	\$ 2,025	30,177	\$ 3,986			
Accrued interest Financing Arrangements [Member]						24,540		24,540				\$ 0
Debt Instrument [Line Items]												
Notes payable						\$ 26,665		\$ 26,665				
Interest rate										9.67%		
Promissory Note Agreement 1 [Member]												
Debt Instrument [Line Items]												
Interest rate												1.00%
Debt principal amount												\$ 165,747
Promissory Note [Member]												
Debt Instrument [Line Items]												
Interest rate	18.00%	18.00%		18.00%	18.00%							
Debt principal amount	\$ 50,000	\$ 200,000	\$ 300,000	\$ 25,000	\$ 200,000							
Debt Instrument, Term Common stock warrants issued	1 year	1 year		1 year								
Warrants exercise price	\$ 0.20	\$ 0.20	\$ 0.15	\$ 0.25								
Warrant expire term	5 years	5 years	5 years	5 years								
Promissory Note 0 [Member]												
Debt Instrument [Line Items]												
Interest rate				18.00%								

Debt principal amount	\$ 300,000
Common stock warrants issued	3,000,000
Warrants exercise price	\$ 0.25
Warrant expire term	5 years
Maturity date	Apr. 16, 2022

[Promissory Note 1 \[Member\]](#)

[Debt Instrument \[Line Items\]](#)

Interest rate	18.00%
Debt principal amount	\$ 20,000
Debt Instrument, Term	1 year
Common stock warrants issued	200,000
Warrants exercise price	\$ 0.25
Warrant expire term	5 years

[Promissory Note 2 \[Member\]](#)

[Debt Instrument \[Line Items\]](#)

Debt principal amount	\$ 300,000
Debt Instrument, Term	1 year
Common stock warrants issued	3,000,000
Warrants exercise price	\$ 0.25
Warrant expire term	5 years

[Promissory Note 3 \[Member\]](#)

[Debt Instrument \[Line Items\]](#)

Interest rate	18.00%
Debt principal amount	\$ 300,000
Common stock warrants issued	3,000,000
Warrants exercise price	\$ 0.25
Warrant expire term	5 years

**NOTES PAYABLE -
RELATED PARTY (Details
Narrative) - USD (\$)**

1 Months Ended	3 Months Ended		6 Months Ended		Dec. 31,
Apr. 02, 2021	Jun. 30, 2021	Jun. 30, 2020	Jun. 30, 2021	Jun. 30, 2020	2020

**Obligation with Joint and Several Liability
Arrangement [Line Items]**

<u>Notes payable - related party</u>	\$		\$		\$ 0
	300,000		300,000		
<u>Warrant expire term</u>			5 years		
<u>Interest expense related party</u>	13,335	\$ 364	\$ 13,335	\$ 2,455	

Promissory Note [Member] | Paul Sallarulo
[Member]

**Obligation with Joint and Several Liability
Arrangement [Line Items]**

<u>Debt principal amount</u>	\$ 150,000
<u>Interest rate</u>	18.00%
<u>Debt Instrument, Term</u>	1 year
<u>Common stock warrants issued</u>	1,500,000
<u>Warrant, Exercise Price, Decrease</u>	\$ 0.20
<u>Warrant expire term</u>	5 years

Promissory Note [Member] | Michael V Barbera
[Member]

**Obligation with Joint and Several Liability
Arrangement [Line Items]**

<u>Debt principal amount</u>	\$ 150,000
<u>Interest rate</u>	18.00%
<u>Debt Instrument, Term</u>	1 year
<u>Common stock warrants issued</u>	1,500,000
<u>Warrant, Exercise Price, Decrease</u>	\$ 0.20
<u>Warrant expire term</u>	5 years

Notes Payables Related Party [Member]

**Obligation with Joint and Several Liability
Arrangement [Line Items]**

<u>Accrued interest</u>	\$ 13,335		\$ 13,335		\$ 0
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COMMITMENTS AND CONTINGENCIES (Details Narrative) - USD (\$)	May 21, 2021	1 Months Ended			3 Months Ended		6 Months Ended			
		May 17, 2021	Oct. 22, 2020	Jul. 23, 2020	Jun. 30, 2021	Jun. 30, 2020	Jun. 30, 2021	Jun. 30, 2020	Dec. 31, 2020	Apr. 22, 2015
<u>Discounted Future Net Cash Flows Relating to Proved Oil and Gas Reserves [Line Items]</u>										
<u>Options to purchase restricted common shares</u>					40,700,000		40,700,000			
<u>Default amount, payable for settlement</u>					\$ 41,937		\$ 41,937			
<u>Accelerated rent and damages</u>							376,424			
<u>Attorney costs</u>							12,442			
<u>Accrued interest on judgement</u>					\$ 114,419		\$ 114,419		\$	\$
									105,260	388,866
<u>Percentage of accrued interest rate</u>					4.75%		4.75%			
<u>Purchase Price</u>		\$			2,000,000					
<u>Gain (Loss) on Extinguishment of Debt Stock Purchase Agreement [Member]</u>					\$	\$	\$	\$		
					(3,056,892)	980	(6,743,015)	980		
<u>Discounted Future Net Cash Flows Relating to Proved Oil and Gas Reserves [Line Items]</u>										
<u>Gain (Loss) on Extinguishment of Debt Agreement With M E P [Member]</u>		\$			320,037					
<u>Discounted Future Net Cash Flows Relating to Proved Oil and Gas Reserves [Line Items]</u>										
<u>Agreement period</u>										5 years
<u>Options to purchase restricted common shares</u>										5,000,000
<u>Options to purchase restricted common shares, period</u>										5 years
<u>Agreement With C R B C [Member]</u>										
<u>Discounted Future Net Cash Flows Relating to Proved Oil and Gas Reserves [Line Items]</u>										
<u>Agreement period</u>										5 years

Options to purchase restricted common shares 5,000,000

Options to purchase restricted common shares, period 5 years

R A W [Member]

Discounted Future Net Cash Flows Relating to Proved Oil and Gas Reserves [Line Items]

Common stock repurchased, shares 10,000,000

Common stock repurchased, value \$ 1,212,121

Yellow Turtle [Member]

Discounted Future Net Cash Flows Relating to Proved Oil and Gas Reserves [Line Items]

Common stock repurchased, shares 6,500,000

Common stock repurchased, value \$ 787,879

STOCKHOLDERS' DEFICIT (Details Narrative) - USD (\$)	1 Months Ended				3 Months Ended		6 Months Ended			
	Jun. 10, 2021	Apr. 09, 2021	May 21, 2021	Apr. 16, 2021	Apr. 02, 2021	Jun. 30, 2021	Mar. 31, 2021	Jun. 30, 2020	Jun. 30, 2021	Jun. 30, 2020
Offsetting Liabilities [Line Items]										
Gain (Loss) on Extinguishment of Debt						\$ (3,056,892)	\$ 980	\$ (6,743,015)	\$ 980	
Shares issued, value						\$ 241,776	\$ 90,000	\$ 616,667		
Investor [Member] Restricted Common Stock [Member]										
Offsetting Liabilities [Line Items]										
Shares issued						735,669	6,040,614	1,185,669	6,040,614	
Shares issued, value						\$ 241,776	\$ 616,667	\$ 331,776	\$ 616,667	
Promissory Note [Member]										
Offsetting Liabilities [Line Items]										
Gain (Loss) on Extinguishment of Debt			\$							
Promissory Note [Member]				1,487,386						
Offsetting Liabilities [Line Items]										
Debt Instrument, Face Amount			\$	\$	\$	\$				
			50,000	300,000	25,000	200,000				
[custom:CommonStockWarrantsIssued]			500,000	6,000,000	250,000	2,000,000				
Two Consulting Agreements [Member]										
Offsetting Liabilities [Line Items]										
Shares issued	600,000									
Shares issued, value	\$									
	138,000									
Consulting Agreement [Member]										
Offsetting Liabilities [Line Items]										
Shares issued	300,000									
Shares issued, value	\$									
	89,700									

**OPTIONS AND
WARRANTS (Summary of
Options and Warrants
Grants to Consultants,
Directors and Employees)
(Details) - USD (\$)**

6 Months Ended 12 Months Ended

Jun. 30, 2021 Dec. 31, 2020

[Share-based Payment Arrangement, Option \[Member\]](#)

**[Share-based Compensation Arrangement by Share-based Payment
Award \[Line Items\]](#)**

Options and Warrants outstanding and exercisable	4,727,778	4,542,500
Weighted-average exercise price	\$ 0.36	\$ 0.41
Aggregate intrinsic value	\$ 579,494	\$ 118,148
Weighted-average remaining contractual term (years)	4 years 2 months 8 days	3 years 10 months 9 days

[Warrant \[Member\]](#)

**[Share-based Compensation Arrangement by Share-based Payment
Award \[Line Items\]](#)**

Options and Warrants outstanding and exercisable	78,620,378	38,920,378
Weighted-average exercise price	\$ 0.25	\$ 0.27
Aggregate intrinsic value	\$ 15,067,991	\$ 2,973,660
Weighted-average remaining contractual term (years)	3 months 26 days	3 years 4 months 13 days

OPTIONS AND WARRANTS (Details Narrative) - USD (\$)	3 Months Ended		6 Months Ended	
	Jun. 30, 2021	Jun. 30, 2020	Jun. 30, 2021	Jun. 30, 2020
Share-based Payment Arrangement [Abstract]				
Options cancelled			1,092,500	
Option granted			1,277,778	
Warrants issued	40,700,000		40,700,000	
Warrants term			5 years	
Warrant exercised			1,000,000	
Stock-based compensation expense	\$ 482,953	\$ 0	\$ 647,963	\$ 0

RELATED PARTIES
(Details Narrative)

6 Months Ended
Jun. 30, 2021
USD (\$)

Related Party Transactions [Abstract]

Receipt of future issuance of notes payable - related parties \$ 100,000

SUBSEQUENT EVENTS (Details Narrative) - USD (\$)	Aug. 17, 2021	Jul. 15, 2021	Jul. 09, 2021	Jul. 07, 2021	1 Months Ended			3 Months Ended			
					Aug. 17, 2021	Jul. 28, 2021	Jul. 26, 2021	Jun. 30, 2021	Mar. 31, 2021	Jun. 30, 2020	Jul. 27, 2021

[Subsequent Event \[Line Items\]](#)

[Shares issued, value](#)

\$ \$ \$
241,776 90,000 616,667

[Approximate net proceeds of private placement offering](#)

\$
4,770,000

[Subsequent Event \[Member\]](#)
[Subsequent Event \[Line Items\]](#)

[Description of private placement offering](#)

On August 17, 2021, the Company conducted the closing (the "Closing") of a private placement offering to accredited investors (the "Offering") of the Company's units (the "Units") at a price of \$0.275 per Unit, with each Unit consisting of: (i) one (1) share of the Company's common stock, (ii) a five-year, immediately exercisable warrant ("Warrant A") to purchase one (1) share of common stock at an exercise price of \$0.33 per share ("Exercise Price") and (iii) an additional five-year, immediately exercisable warrant to purchase

one
 (1) share of
 common
 stock at the
 Exercise
 Price
 (“Warrant
 B”). The
 Warrant A
 and Warrant
 B are
 identical,
 except that
 the Warrant
 B has a call
 feature in
 favor of the
 Company.

[Shares issued](#) 19,398,144
[Shares issued, value](#) \$
 5,334,490

[Subsequent Event \[Member\]](#) |
[Consulting Agreements](#)
[\[Member\]](#)

[Subsequent Event \[Line](#)
[Items\]](#)

[Share issued for service](#) 600,000

[Promissory Note \[Member\]](#)

[Subsequent Event \[Line](#)
[Items\]](#)

[Debt Instrument, Face Amount](#)

\$ \$ \$ \$
 300,000 25,000 50,000 200,000

[Debt Instrument, Interest Rate,](#)
[Stated Percentage](#)

18.00% 18.00% 18.00%

[Promissory Note \[Member\]](#) |

[Subsequent Event \[Member\]](#)

[Ronald J Lo Ricco \[Member\]](#)

[Subsequent Event \[Line](#)

[Items\]](#)

[Debt Instrument, Maturity](#) Aug.
[Date](#) 18,
 2021

[Promissory Note \[Member\]](#) |

[Subsequent Event \[Member\]](#) |

[Ronald J Lo Ricco \[Member\]](#)

[Subsequent Event \[Line](#)

[Items\]](#)

[Debt Instrument, Face Amount](#) \$
 50,000

[Debt Instrument, Interest Rate,](#)
[Stated Percentage](#) 10.00%

[Debt Instrument, Maturity](#) Jul. 23,
[Date](#) 2021

[Promissory Note \[Member\]](#) |

[Subsequent Event \[Member\]](#) |

[Michael V Barbera \[Member\]](#)

[Subsequent Event \[Line](#)

[Items\]](#)

[Debt Instrument, Face Amount](#) \$
 50,000

[Debt Instrument, Interest Rate,](#)
[Stated Percentage](#) 10.00%

[Debt Instrument, Maturity](#) Jul. 23,
[Date](#) 2021

[Promissory Note \[Member\]](#) |

[Subsequent Event \[Member\]](#) |

[David Anderson \[Member\]](#)

**Subsequent Event [Line
Items]**

<u>Debt Instrument, Face Amount</u>	\$ 20,000	\$ 30,500
<u>Debt Instrument, Interest Rate, Stated Percentage</u>	10.00%	10.00%
<u>Debt Instrument, Maturity Date</u>	Jul. 23, 2021	Aug. 02, 2021

Promissory Note [Member] |
Subsequent Event [Member] |
Simon Kay [Member]

**Subsequent Event [Line
Items]**

<u>Debt Instrument, Face Amount</u>		\$ 10,000
<u>Debt Instrument, Interest Rate, Stated Percentage</u>		10.00%
<u>Debt Instrument, Maturity Date</u>	Aug. 03, 2021	

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27. Core Values
28. History
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6. The sixth part of the document includes a list of references and a list of figures. The references cite the various sources of information used in the study, and the figures provide a visual representation of the data and the results of the analysis.

7. The seventh part of the document is a list of appendices. These appendices provide additional information and data that are not included in the main body of the document. They include a list of abbreviations, a list of symbols, and a list of tables.

8. The eighth part of the document is a list of footnotes. These footnotes provide additional information and clarification for the text. They include references to other works and provide a more detailed explanation of the methods and findings.

9. The ninth part of the document is a list of acknowledgments. These acknowledgments thank the individuals and organizations that provided support and assistance during the course of the study. They include a list of names and a brief description of their contributions.

10. The tenth part of the document is a list of contact information. This information includes the name and address of the author, as well as the name and address of the organization that conducted the study. It also includes a list of telephone numbers and email addresses.

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6. The sixth part of the document includes a list of references and a bibliography. It cites the various sources used in the study, including academic journals, books, and industry reports.

7. The seventh part of the document contains a list of appendices and a glossary. It provides additional information and definitions for the terms used in the document.

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5. The fifth part of the document concludes the report by summarizing the main points and reiterating the significance of the findings. It expresses the authors' confidence in the results and their belief that the study has provided valuable insights into the subject matter.

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7. The seventh part of the document contains a list of appendices and supplementary materials. These include detailed data tables, charts, and graphs that provide further insight into the study's findings.

8. The eighth part of the document is a glossary of terms and definitions. It clarifies the meaning of key concepts and terminology used throughout the report, ensuring that the reader has a clear understanding of the subject matter.

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3. The third part of the document presents the results of the study, showing the trends and patterns observed in the data. It includes several tables and graphs to illustrate the findings.

4. The fourth part of the document discusses the implications of the results and the potential applications of the findings. It highlights the significance of the study and the need for further research in this area.

5. The fifth part of the document provides a conclusion and a summary of the key points discussed throughout the document. It also includes a list of references and a bibliography.

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5. The fifth part of the document provides a summary of the key points and conclusions. It reiterates the importance of the findings and the need for continued attention to the issues discussed.

6. The sixth part of the document includes a list of references and a list of figures. The references provide a comprehensive overview of the literature on the topic, and the figures illustrate the data and results discussed in the text.

7. The seventh part of the document is a list of appendices. These appendices provide additional information and data that support the findings of the study. They include detailed tables, charts, and other supporting materials.

8. The eighth part of the document is a list of footnotes. These footnotes provide additional information and clarification on specific points discussed in the text. They are intended to provide a more complete understanding of the study and its findings.

9. The ninth part of the document is a list of acknowledgments. These acknowledgments recognize the contributions of the individuals and organizations that supported the study. They express gratitude for the assistance and resources provided throughout the research process.

10. The tenth part of the document is a list of contact information. This information provides a way for interested parties to reach the authors of the study. It includes the names, titles, and contact details of the primary and secondary authors.

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