United States
Securities and Exchange Commission
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period: June 30, 2020

Or

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

For the transition period ended:

Q2Earth, Inc.
(Exact name of Registrant as specified in its Charter)

Delaware	000-55148	20-1602779
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

420 Royal Palm Way, #100
Palm Beach, FL 33480
(Address of Principal Executive Offices)

(561) 693-1423
(Registrant's Telephone Number, including area code)

(Former name or former address, if changed since last report.)

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

Securities registered pursuant to Section 12(g) of the Act: Common Stock, par value $0.0001

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

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

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

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act 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.
(1) Yes [X] No [ ]; (2) Yes [X] No [ ]

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company:

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new 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 [X]

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

August 13, 2020: Common – 56,997,460

Documents incorporated by reference: None.

Q2EARTH, INC.

FORM 10-Q
TABLE OF CONTENTS

JUMPSTART OUR BUSINESS STARTUPS ACT DISCLOSURE

We qualify as an "emerging growth company," as defined in Section 2(a)(19) of the Securities Act by the Jumpstart Our Business Startups Act (the "JOBS Act"). An issuer qualifies as an "emerging growth company" if it has total annual gross revenues of less than $1.0 billion during its most recently completed fiscal year, and will continue to be deemed an emerging growth company until the earliest of:

- the last day of the fiscal year of the issuer during which it had total annual gross revenues of $1.0 billion or more;
- the last day of the fiscal year of the issuer following the fifth anniversary of the date of the first sale of common equity securities of the issuer pursuant to an effective registration statement;
- the date on which the issuer has, during the previous three-year period, issued more than $1.0 billion in non-convertible debt; or
- the date on which the issuer is deemed to be a "large accelerated filer," as defined in Section 240.12b-2 of the Exchange Act.

As an emerging growth company, we are exempt from various reporting requirements. Specifically, we are exempt from the following provisions:

- Section 404(b) of the Sarbanes-Oxley Act of 2002, which requires evaluations and reporting related to an issuer's internal controls;
- Section 14A(a) of the Exchange Act, which requires an issuer to seek shareholder approval of the compensation of its executives not less frequently than once every three years; and
- Section 14A(b) of the Exchange Act, which requires an issuer to seek shareholder approval of its so-called "golden parachute" compensation, or compensation upon termination of an employee's employment.

Under the JOBS Act, emerging growth companies may delay adopting new or revised accounting standards that have different effective dates for public and private companies until such time as those standards apply to private companies.

Smaller Reporting Company

We are subject to the reporting requirements of Section 13 of the Exchange Act, and subject to the disclosure requirements of Regulation S-K of the SEC, as a "smaller reporting company." That designation will relieve us of some of the informational requirements of Regulation S-K.

Sarbanes/Oxley Act

Except for the limitations excluded by the JOBS Act discussed under the preceding heading "Emerging Growth Company," we are also subject to the Sarbanes-Oxley Act of 2002. The Sarbanes/Oxley Act created a strong and independent accounting oversight board to oversee the conduct of auditors of public companies and strengthens auditor independence. It also requires steps to enhance the direct responsibility of senior members of management for financial reporting and for the quality of financial disclosures made by public companies; establishes clear statutory rules to limit, and to expose to public view, possible conflicts of interest affecting securities analysts; creates guidelines for audit committee members' appointment, compensation and oversight of the work of public companies' auditors; management assessment of our internal controls; prohibits certain insider trading during pension fund blackout periods; requires companies and auditors to evaluate internal controls and procedures; and establishes a federal crime of securities fraud, among other provisions. Compliance with the requirements of the Sarbanes/Oxley Act will substantially increase our legal and accounting costs.

Exchange Act Reporting Requirements

Section 14(a) of the Exchange Act requires all companies with securities registered pursuant to Section 12(g) of the Exchange Act like we are to comply with the rules and regulations of the SEC regarding proxy solicitations, as outlined in Regulation 14A. Matters submitted to shareholders at a special or annual meeting thereof or pursuant to a written consent will require us to provide our shareholders with the information outlined in Schedules 14A (where proxies are solicited) or 14C (where consents in writing to the action have already been received or anticipated to be received) of Regulation 14, as applicable; and preliminary copies of this information must be submitted to the SEC at least 10 days prior to the date that definitive copies of this information are forwarded to our shareholders. We are also required to file annual reports on Form 10-K and quarterly reports on Form 10-Q with the SEC on a regular basis, and will be required to timely disclose certain material events (e.g., changes in corporate control; acquisitions or dispositions of a significant amount of assets other than in the ordinary course of business; and bankruptcy) in a Current Report on Form 8-K.

Reports to Security Holders

You may read and copy any materials that we file with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You may also find all of the reports that we have filed electronically with the SEC at their Internet site www.sec.gov.

PART I – FINANCIAL INFORMATION

ITEM 1: FINANCIAL STATEMENTS

Q2EARTH, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	June 30, 2020		December 31, 2019	
ASSETS				
CURRENT ASSETS				
Cash	$	19,601	$	478
Prepaid expenses and other assets		-		7,665
TOTAL CURRENT ASSETS		19,601		8,143
TOTAL ASSETS	$	19,601	$	8,143
LIABILITIES AND STOCKHOLDERS' DEFICIT				
CURRENT LIABILITIES				
Accounts payable and accrued expenses	$	337,954	$	240,948
Accrued payroll and related expenses		160,254		-
Accrued bonus		150,000		150,000
Accrued interest - related parties		42,896		15,426
Notes payable - related parties		951,173		788,500
Convertible notes payable		60,000		-
Paycheck protection program loan		142,942		-
Debentures		165,000		165,000
Convertible bridge notes, at fair value		3,038,749		2,440,090
TOTAL CURRENT LIABILITIES		5,048,968		3,799,964
Convertible bridge notes, at fair value		35,251		32,910
TOTAL LIABILITIES		5,084,219		3,832,874
Redeemable convertible preferred stock - Series A; $0.0001 par value, 1,500 designated Series A, 600 shares issued and outstanding (liquidation preference of $765,896)		765,896		748,604
STOCKHOLDERS' DEFICIT				
Preferred stock, $0.0001 par value; 5,000,000 shares authorized, no shares issued and outstanding		-		-
Common stock, $0.0001 par value, 100,000,000 shares authorized, 56,997,460 and 51,997,460 shares issued and outstanding at June 30, 2020 and December 31, 2019, respectively		5,699		5,199
Additional paid-in capital		6,527,211		6,470,676
Deferred stock-based compensation		(4,167)		-
Accumulated deficit		(12,359,257)		(11,049,210)
TOTAL STOCKHOLDERS' DEFICIT		(5,830,514)		(4,573,335)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$	19,601	$	8,143

See notes to the condensed consolidated financial statements.

Q2EARTH INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	For the three months ended June 30,		For the six months ended June 30,	
	2020	2019	2020	2019
REVENUES-RELATED PARTY	$ 174,999	$ 252,882	$ 350,000	$ 426,692
EXPENSES				
Payroll and related expenses	314,600	310,164	629,270	875,237
Professional fees	79,459	80,611	154,682	222,597
General and administrative	57,196	43,866	142,623	103,365
Research and development expenses	87,000	-	110,000	-
Total Expenses	538,255	434,641	1,036,575	1,201,199
LOSS FROM OPERATIONS	(363,256)	(181,759)	(686,575)	(774,507)
OTHER INCOME (EXPENSE)				
Financing costs including interest	(159,847)	(135,024)	(305,286)	(276,150)
Change in fair value of convertible bridge notes	(354,542)	(495,914)	(323,185)	(245,726)
Loss on equity method investment	-	-	-	(21,588)
Other miscellaneous income	5,000	-	5,000	-
Total Other Expense	(509,389)	(630,938)	(623,471)	(543,464)
LOSS BEFORE INCOME TAXES	(872,645)	(812,697)	(1,310,046)	(1,317,971)
INCOME TAXES	-	-	-	-
NET LOSS	(872,645)	(812,697)	(1,310,046)	(1,317,971)
PREFERRED STOCK				
Series A convertible contractual dividends	(8,975)	(8,975)	(17,292)	(17,852)
NET LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS	$ (881,620)	$ (821,672)	$ (1,327,338)	$ (1,335,823)
NET LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS: BASIC AND DILUTED	$ (0.02)	$ (0.02)	$ (0.02)	$ (0.03)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING: BASIC AND DILUTED	56,997,460	51,997,460	56,555,471	51,997,460

See notes to the condensed consolidated financial statements.

Q2EARTH INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2020 AND 2019
(UNAUDITED)

	Preferred Stock		Common Stock		Additional Paid In	Deferred Stock-based	Accumulated	Total Stockholders'
	Shares	Value	Shares	Value	Capital	Compensation	Deficit	Deficit
Balance, December 31, 2019	-	-	51,997,460	$ 5,199	$ 6,470,676	$ -	$ (11,049,210)	$ (4,573,335)
Stock-based compensation for services	-	-	5,000,000	500	49,500	(29,167)	-	20,833
Stock-based compensation expense and stock option modification	-	-	-	-	24,327	-	-	24,327
Series A, preferred stock contractual dividends	-	-	-	-	(8,317)	-	-	(8,317)
Net loss period ended March 31, 2020	-	-	-	-	-	-	(437,402)	(437,402)
Balance, March 31, 2020	-	-	56,997,460	$ 5,699	$ 6,536,186	$ (29,167)	$ (11,486,612)	$ (4,973,894)
Stock-based compensation for services	-	-	-	-	-	25,000	-	25,000
Series A, preferred stock contractual dividends	-	-	-	-	(8,975)	-	-	(8,975)
Net loss period ended June 30, 2020	-	-	-	-	-	-	(872,645)	(872,645)
Balance, June 30, 2020	-	-	56,997,460	$ 5,699	$ 6,527,211	$ (4,167)	$ (12,359,257)	$ (5,830,514)
Balance, December 31, 2018	-	-	51,997,460	$ 5,199	$ 6,394,748	$ (3,787)	$ (10,367,231)	$ (3,971,071)
Stock-based compensation for services	-	-	-	-	115,714	-	-	115,714
Series A, preferred stock contractual dividends	-	-	-	-	(8,876)	-	-	(8,876)
Net loss period ended March 31, 2019	-	-	-	-	-	-	(505,274)	(505,274)
Balance, March 31, 2019	-	-	51,997,460	$ 5,199	$ 6,501,586	$ (3,787)	$ (10,872,505)	$ (4,369,507)
Series A, preferred stock contractual dividends	-	-	-	-	(8,976)	-	-	(8,976)
Net loss period ended June 30, 2019	-	-	-	-	-	-	(812,697)	(812,697)
Balance, June 30, 2019	-	-	51,997,460	$ 5,199	$ 6,492,610	$ (3,787)	$ (11,685,202)	$ (5,191,180)

See notes to the condensed consolidated financial statements.

Q2EARTH INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	For the six months ended June 30, 2020	For the six months ended June 30, 2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Loss	$ (1,310,046)	$ (1,317,971)
Adjustments to reconcile net loss to net cash provided by operations:		
Depreciation	-	266
Loss on equity investment	-	21,588
Stock-based compensation for services	45,833	115,714
Stock-based compensation and stock option modification	24,327	-
Change in fair value of convertible bridge notes	323,185	245,726
Amortization of debt issuance costs	1,250	2,500
Paid-in-kind interest - convertible bridge notes	276,565	271,774
Accrued interest - related party	27,470	-
Changes in operating assets and liabilities		
Decrease (increase) in prepaid expenses and other current assets	7,665	(19,049)
Increase (decrease) in accounts payable and accrued expenses	97,005	(38,950)
Increase accrued payroll and related expenses	160,254	150,000
Increase in contract liabilities - related party	-	372,308
Net cash used in operating activities	(346,492)	(196,094)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable - related parties	162,673	187,500
Proceeds from convertible notes payable	60,000	30,000
Proceeds from paycheck protection program	142,942	-
Net cash provided by financing activities	365,615	217,500
NET INCREASE IN CASH	19,123	21,406
CASH - Beginning of period	478	160,035
CASH - End of period	$ 19,601	$ 181,441
SUPPLEMENTAL CASH FLOW DISCLOSURES:		
Payment of interest in cash	$ -	$ -
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Accrual of contractual dividends on Series A convertible preferred stock	$ 17,292	$ 17,852

See notes to the condensed consolidated financial statements.

Q2EARTH INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – ORGANIZATION AND DESCRIPTION OF BUSINESS

Q2Earth, Inc. (hereinafter the "Company"), incorporated in Delaware on August 26, 2004, is currently engaged in the business of managing compost and soil manufacturing facilities, and has been pursuing a plan of strategic acquisitions and investments in this sector through an unconsolidated investee called Earth Property Holdings LLC, a Delaware limited liability company ("EPH"). Through EPH, the Company completed one acquisition in November 2018 and a second in January 2019. The Company owns a 18.5% equity interest in EPH and manages all of its operations pursuant to an eight-year management contract.

In April 2020, the Company established QSAM Therapeutics Inc. ("QSAM") as a wholly-owned subsidiary incorporated in the state of Texas, and through QSAM, executed a Patent and Technology License Agreement and Trademark Assignment (the "License Agreement") with IGL Pharma, Inc. ("IGL"). The License Agreement provides QSAM with exclusive, worldwide and sub-licensable rights to all of IGL's patents, product data and knowhow with respect to Samaium-153 DOTMP (the "Technology"), a clinical stage novel radiopharmaceutical meant to treat different types of bone cancer and related diseases. The establishment of QSAM and execution of the License Agreement is part of the Company's strategic plan to expand its business into other technologies in the broader biosciences sector.

Prior to 2017, the Company owned and licensed technology that converts waste fuels and heat to power, which it sold to a licensee in August of that year. Much of these operations were conducted through a wholly-owned subsidiary of the Company called Q2Power Corp. ("Q2P"), which still exists but has no current operations. Q2P and QSAM are sometimes referred to herein as the "Subsidiaries". Formerly, the Company's name was Q2Power Technologies, Inc., and before that, Anpath Group, Inc. ("Anpath").

In March 2020, the World Health Organization declared COVID-19 a global pandemic and recommended containment and mitigation measures worldwide. The Company is monitoring this closely, and although operations have not been materially affected by the COVID-19 outbreak to date, the ultimate duration and severity of the outbreak and its impact on the economic environment and business is uncertain. Accordingly, while the Company does not anticipate an impact on its operations, the Company cannot estimate the duration of the pandemic and potential impact on its business. In addition, a severe or prolonged economic downturn could result in a variety of risks to the business, including a possible delay in the Company's ability to raise money. At this time, the Company is unable to estimate the impact of this event on its operations.

NOTE 2 – BASIS OF PRESENTATION AND GOING CONCERN

The accompanying unaudited condensed financial statements are prepared in accordance with Rule 8-01 of Regulation S-X of the Securities Exchange Commission ("SEC"). Accordingly, certain information and note disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles in the United States of America ("US GAAP") have been condensed or omitted pursuant to such rules and regulations. However, the Company believes that the disclosures included in these unaudited condensed financial statements are adequate to make the information presented not misleading. The unaudited condensed financial statements included in this document have been prepared on the same basis as the annual financial statements, and in our opinion reflect all adjustments, which include normal recurring adjustments necessary for a fair presentation in accordance with US GAAP and SEC regulations for interim financial statements. The results for the three and six months ended June 30, 2020 are not necessarily indicative of the results that the Company will have for any subsequent period or for the calendar year ended December 31, 2020. These unaudited condensed financial statements should be read in conjunction with the audited financial statements and the notes to those statements for the year ended December 31, 2019 which was filed with the SEC on April 14, 2020.

For the six months ended June 30, 2020, the Company used cash in operating activities of $346,492 and incurred a loss of $1,310,046. The accumulated deficit as of June 30, 2020 since inception is $12,359,257, which was comprised of operating losses and other expenses. Additionally, certain of the Company's debentures totaling $165,000 and redeemable convertible preferred stock matured on July 1, 2019 and are currently in default. Management is in discussions with the holders to either extend the maturity dates or find an alternate settlement solution.

As of June 30, 2020, $2,771,908 of convertible bridge notes plus accrued and capitalized interest of $1,322,262, began to mature through October 2020, with an additional $35,251 in principal and accrued interest maturing in 2021. Several of these convertible bridge notes are in default and the Company is in discussions with the lead investors of that group to reach a settlement, which may include an extension of the notes conversion into equity, or some other combination of these options.

As of June 30, 2020, the Company had a working capital deficit of $5,029,367.

These conditions raise substantial doubt about the Company's ability to continue as a going concern. There is no guarantee whether the Company will be able to generate revenue and/or raise capital sufficient to support its operations. The ability of the Company to continue as a going concern is dependent on management's plans which include implementation of its business model to facilitate the acquisition of and investment in cash-flowing businesses, grow revenue and earnings of those companies which may result in added management fees for the Company, and continue to raise funds for the Company through debt or equity offerings. As demonstrated with the establishment of QSAM and the signing of the License Agreement, the Company is seeking strategic alternatives in other lines of business since its current activities cannot support ongoing operations.

The condensed consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties. The Company has concluded that EPH is an equity method investment. The primary investor, and not the Company, has ultimate control over major decisions affecting EPH and the greatest economic risk.

On March 31, 2017, the Company completed the first $1,050,000 tranche of a convertible bridge note offering (the "Bridge Offering"). Through the end of 2017, the Company closed an additional $600,000 of follow-on investments in the Bridge Offering. In 2018 and 2019, the Company raised an additional $980,000 and $30,000, respectively, in convertible notes on substantially same terms as the Bridge Offering with three accredited investors and one institutional investor (the "Follow-On Bridge Offering"). As of June 30, 2020, a total principal amount of $2,801,908 and approximately $1,329,000 of accrued interest remains due on the Bridge Offering notes, and a significant portion of these notes are currently in default.

In July 2018, the Company signed a Stock Purchase Agreement for the purchase of all of the outstanding capital stock of George B. Wittmer Associates Inc. ("GBWA") of Callahan, Florida, from its sole shareholder. On November 9, 2018, the Company transferred the agreement to acquire GBWA to EPH, and through EPH, consummated the GBWA acquisition. Concurrently with the GBWA closing: (i) the Company signed an eight-year Management Agreement (the "Management Agreement") with EPH to oversee all of the operations of EPH and its acquired subsidiaries for an initial annual fee of $200,000 (which was subsequently increased by amendment to $700,000, $300,000 of which is provided for the management of GBWA); (ii) appointed the Company's CEO and President to serve as President and Secretary, respectively, of EPH; and (iii) pursuant to the terms of EPH's Limited Liability Company Agreement (the "LLC Agreement") acquired 124,999 Class B Membership Units of EPH, equal to 19.9% of the voting interests of EPH, for $50,000. To complete the GBWA acquisition, EPH raised $4.4 million from one institutional investor for 500,000 Class A Membership Units, equal to 80.1% of the voting interest of EPH.

On January 18, 2019, EPH completed its second acquisition of Employee Owned Nursery Enterprises Ltd., a Texas limited partnership d/b/a Organics "by Gosh" ("OBG"). Concurrently with the OBG acquisition, the Company: (i) acquired an additional 53,970 Class B Membership Units in EPH for $21,588 through a subscription payable which is included in accounts payable and accrued expenses on the consolidated balance sheets; and (ii) received an additional annual management fee of $500,000 plus expenses in connection with the transaction.

In May 2019, the Company signed a services agreement with Community Eco Power, LLC ("CECO") to assist that company complete an acquisition of two waste-to-power facilities in New England, and to assist management transition operations over the following six months. The acquisition closed on May 15, 2019. Two of the Company's officers and directors each own minority equity stakes in CECO. The fee for the Company's services was $250,000, all of which was recognized as revenue in 2019.

In the second quarter of 2019, the Company licensed soil technology called ABS from Agrarian Technologies, Inc., for which the Company is currently pursuing sales and distributorship agreements but has not yet been able to generate any material revenue from these activities. The Company pays a minimum royalty under this license agreement to the licensor of $7,500 per quarter, $30,000 of which has been accrued but not paid as of June 30, 2020; and then pays royalties on the sales of the ABS product based on volume sold to the extent such volume royalties exceed the minimum royalties. Management may also seek to raise additional capital through equity and debt offerings.

On April 20, 2020, the Company established QSAM and, through that wholly-owned subsidiary, executed a the License Agreement IGL. The License Agreement provides QSAM with exclusive, worldwide and sub-licensable rights to all of IGL's patents, product data and knowhow with respect to Samaium-153 DOTMP (the "Technology"), a clinical stage novel radiopharmaceutical meant to treat different types of bone cancer and related diseases. The Technology was developed by ISO Therapeutics Group, LLC ("ISO") and previously transferred to IGL, a company majority owned by the founders of ISO. The License Agreement also transfers to QSAM the rights to the product name CycloSam for the Technology, and provides QSAM a first right of refusal to license other IGL/ISO technologies in the future.

The License Agreement is for 20 years or until the expiration of the multiple patents covered under the license, and requires multiple milestone based payments including: $60,000 and other expense reimbursements within 60 days of signing, up to $150,000 as the Technology advances through multiple stages of clinical trials, and $1.5 million upon commercialization. IGL will also receive equity in QSAM equal to 5% of the company to be issued within 60 days of signing. Upon commercialization, IGL will receive an on-going royalty equal to 4.5% of Net Sales, as defined in the License Agreement, and up to 50% of any Sublicense Consideration received by QSAM, as defined in the License Agreement. QSAM will also pay for ongoing patent filing and maintenance fees, and has certain requirements to defend the patents against infringement claims. The parties have agreed to mutual indemnification.

Either party may terminate the License Agreement 30 days after notice in the event of an uncured breach, or immediately in the case of bankruptcy or insolvency of the other party. QSAM may terminate for any reason upon 30 days' notice. In the case IGL terminates due to an uncured QSAM breach, IGL will repay to QSAM 25% of its direct clinical costs to assume ownership of data and other information gained in that process.

In connection with the License Agreement, QSAM signed a two-year Consulting and Confidentiality Agreement (the "Consulting Agreement") with IGL, which provides IGL with payments of $8,500 per month starting 60 days after signing. The Consulting Agreement is to provide QSAM with additional consulting and advisory services from the Technology's founders to assist in the clinical development of the Technology.

Management is aware of the Company's liquidity and going concern issues and is taking steps to improve its negative cashflow. Such steps include negotiations with EPH to eliminate debt the Company owes to that affiliated entity which may include a termination of the Management Agreement; restructuring of the convertible bridge notes and other convertible debt and preferred stock of the Company with the holders thereof; and sale of certain IP to EPH for cash payments or further debt reduction. Further, management is pursuing strategic alternatives to the Company's compost management business, of which QSAM and the License Agreement presents a potential opportunity to raise new capital and possibly retire or convert aged debt. There are no guarantees that the Company will be successful in these efforts.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its Subsidiaries. All significant inter-company transactions and balances have been eliminated in consolidation. References herein to the Company include the Company and its Subsidiaries unless the context otherwise requires.

Cash

The Company considers cash, short-term deposits, and other investments with original maturities of no more than ninety days when acquired to be cash and cash equivalents for the purposes of the statement of cash flows. The Company maintains cash balances at two financial institutions and has experienced no losses with respect to amounts on deposit. The Company held no cash equivalents as of June 30, 2020 and 2019.

Revenue Recognition

The Company recognizes revenue in accordance with ASC Topic 606, “Revenue from Contracts with Customers (“ASC 606”) and all the related amendments.

The core principle of ASC 606 requires that an entity recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. ASC 606 defines a five-step process to achieve this core principle and, in doing so, it is possible more judgment and estimates may be required within the revenue recognition process than previously required under U.S. GAAP, including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation.

Revenue for services in 2020 and 2019 included contracts where the Company was paid for management of related entities. In its review, management identifies that a contract exists with a customer, identifies the performance obligations in the contract, determines the transaction price, allocates the transaction price to the performance obligations in the contract, and then recognizes revenue when the Company satisfies a specific performance obligation. Payments received before all the relevant criteria for revenue recognition are satisfied are recorded as contract liabilities.

The management services to be provided to the Company’s related parties are performance obligations satisfied evenly over a period of time. Therefore, revenue from these management service agreements are recognized on a straight-line basis over the service period.

During the six months ended June 30, 2020, revenues generated by the Company were from one customer which is related to the Company. During the six months ended June 30, 2019, revenues generated by the Company were from two customers, both of which are related to the Company.

Stock Based Compensation

The Company applies the fair value method of Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 718, “*Share Based Payment*”, in accounting for its stock-based compensation. This standard states that compensation cost is measured at the grant date based on the fair value of the award and is recognized over the service period, which is usually the vesting period. The Company values stock-based compensation at the market price for the Company’s common stock and other pertinent factors at the grant date.

The Black-Scholes option pricing valuation method is used to determine fair value of stock options consistent with ASC 718, “*Share Based Payment”.* Use of this method requires that the Company make assumptions regarding stock volatility, dividend yields, expected term of the awards and risk-free interest rates.

The Company accounts for transactions in which services are received from non-employees in exchange for equity instruments based on the fair value of the equity instruments exchanged, in accordance with ASC 505-50, “*Equity Based payments to Non-employees*”. The Company measures the fair value of the equity instruments issued based on the fair value of the Company’s stock on contract execution.

Fair Value Measurement

The Company measures fair value in accordance with a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The Company's convertible Bridge Notes are valued by using Monte Carlo Simulation methods and discounted future cash flow models. Where possible, the Company verifies the values produced by its pricing models to market prices. Valuation models require a variety of inputs, including contractual terms, market prices, yield curves, credit spreads, measures of volatility and correlations of such inputs. These convertible Bridge Notes do not trade in liquid markets, and as such, model inputs cannot generally be verified and do involve significant management judgment. Such instruments are typically classified within Level 3 of the fair value hierarchy.

Equity Method Investment

Investments in partnerships, joint ventures and less-than majority-owned subsidiaries in which the Company has significant influence are accounted for under the equity method. The Company's consolidated net loss includes the Company's proportionate share of the net income or loss of the Company's equity method investee. The Company's proportionate share of net income from its equity method investee, increases income (loss) — net in the consolidated statements of operations and the carrying value in that investment. Conversely, the Company's proportionate share of a net loss from its equity method investee, decreases income (loss) — net in the consolidated statements of income and the carrying value in that investment. The Company's proportionate share of the net income or loss of any equity method investees includes significant operating and nonoperating items recorded by the Company's equity method investee. These items can have a significant impact on the amount of income (loss) — net in the consolidated statements of operations and the carrying value in those investments.

Research and Development

Research and development costs are expensed as incurred. Research and development costs were $110,000 for the six month period ended June 30, 2020, and are a result of a license agreement executed during the six month period (see Notes 2 and 10). The Company did not incur any research and development costs during the six month period ended June 30, 2019.

Income Taxes

Income taxes are accounted for under the asset and liability method as stipulated by FASB ASC 740, "*Income Taxes*" ("ASC 740"). Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Under ASC 740, the effect on deferred tax assets and liabilities or a change in tax rate is recognized in income in the period that includes the enactment date. Deferred tax assets are reduced to estimated amounts to be realized by the use of a valuation allowance. A valuation allowance is applied when in management's view it is more likely than not (50%) that such deferred tax will not be utilized.

In the event that an uncertain tax position exists in which the Company could incur income taxes, the Company would evaluate whether there is a probability that the uncertain tax position taken would be sustained upon examination by the taxing authorities. Reserves for uncertain tax positions would be recorded if the Company determined it is probable that a position would not be sustained upon examination or if payment would have to be made to a taxing authority and the amount is reasonably estimated. As of March 31, 2020, the Company does not believe it has any uncertain tax positions that would result in the Company having a liability to the taxing authorities; however, federal returns have not been filed since the Company's inception in 2014. Such delinquencies are being resolved by management and a retained tax expert. Interest and penalties related to any unrecognized tax benefits is recognized in the consolidated financial statements as a component of income taxes.

Basic and Diluted Loss Per Share

Net loss per share is computed by dividing the net loss attributable to common stockholders by the weighted average number of common shares outstanding during the period. Diluted net loss per share is calculated by dividing the net loss attributable to common stockholders by the weighted average number of common shares outstanding during the period plus any potentially dilutive shares related to the issuance of stock options, shares from the issuance of stock warrants, shares issued from the conversion of redeemable convertible preferred stock and shares issued for the conversion of convertible debt.

At June 30, 2020, there were the following potentially dilutive securities that were excluded from diluted net loss per share because their effect would be anti-dilutive: 11,715,480 shares from common stock options, 1,153,845 shares from common stock warrants, 1,650,000 shares from the conversion of debentures, 52,180,859 shares that may be converted from Bridge Notes (based upon an assumed conversion price at June 30, 2020 of $0.079 per share), and 7,569,210 shares from the conversion of redeemable convertible preferred stock (not inclusive of cumulative dividends which may be converted to shares of common stock under certain conditions). At June 30, 2019, there were the following potentially dilutive securities that were excluded from diluted net loss per share because their effect would be anti-dilutive: 8,515,480 shares from common stock options, 5,337,345 shares from common stock warrants, 1,650,000 shares from the conversion of debentures, 41,984,478 shares that may be converted from Bridge Notes (based upon an assumed conversion price at June 30, 2019 of $0.082 per share), and 6,000,000 shares from the conversion of redeemable convertible preferred stock (not inclusive of cumulative dividends which may be converted to shares of common stock under certain conditions).

Significant Estimates

U.S. Generally Accepted Accounting Principles ("GAAP") requires the Company to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, the reported amounts of revenues and expenses, cash flows and the related footnote disclosures during the period. On an on-going basis, the Company reviews and evaluates its estimates and assumptions, including, but not limited to, those that relate to the fair value of stock based compensation, the fair value of convertible bridge notes, and the assessment and recognition of income taxes and contingencies. Actual results could differ from these estimates.

Recent Accounting Pronouncements

In August 2018, the FASB issued guidance that amends fair value disclosure requirements. The guidance removes disclosure requirements on the transfers between Level 1 and Level 2 of the fair value hierarchy in addition to the disclosure requirements on the policy for timing of transfers between levels and the valuation process for Level 3 fair value measurements. The guidance clarifies the measurement uncertainty disclosure and adds disclosure requirements for Level 3 unrealized gains and losses and significant unobservable inputs used to develop Level 3 fair value measurements. The guidance is effective for fiscal years beginning after December 15, 2019. Entities are permitted to early adopt any removed or modified disclosures upon issuance and delay adoption of the additional disclosures until the effective date. The Company adopted this guidance effective January 1, 2020 and the adoption did not have a material impact on the condensed consolidated financial statements and disclosures.

Concentration of Risk

The Company expects cash to be the asset most likely to subject the Company to concentrations of credit risk. The Company's bank deposits may at times exceed federally insured limits. The Company's policy is to maintain its cash with high credit quality financial institutions to limit its risk of loss exposure.

Most of the Company's revenue for the six months ended June 30, 2020 and 2019 was from fees earned from its equity method investment, EPH, under a management agreement. This is currently the Company's primary source of on-going revenue, and that agreement is terminable at will by EPH. See Note 4.

NOTE 4 – EQUITY METHOD INVESTMENT

During November 2018, the Company invested $50,000 for a 19.9% Class B limited liability membership interest in EPH and recorded this transaction as an equity method investment due to the Company's ability to exercise significant influence over EPH. The carrying value of the investment in EPH was reduced to zero after recording the proportionate share of the investee's net loss for the 2018 fiscal year. In January 2019, the Company committed an additional $21,588 through a subscription payable to maintain its 19.9% Class B limited liability interests in EPH, after additional Class A units were sold to investors. The Class B units only receive value after all Class A unit holders receive a full return on their investment plus an 8% annual PIK dividend. The $21,588 remains due at June 30, 2020 and December 31, 2019 and is included in accounts payable and accrued expenses on the condensed consolidated balance sheets. The carrying value of the investment remains at zero at June 30, 2020 and December 31, 2019 due to continued losses incurred by EPH. There were no distributions received from the equity method investment in 2020 or 2019.

In 2019, EPH issued an additional 70,057 Class A Units in consideration for $616,500 additional investments. The Company did not purchase additional Class B Units during this time, and as a result, its equity stake in EPH was diluted to 18.5%. Management expects this equity percentage to be significantly diluted in the following reporting periods as EPH raises additional capital to further its acquisition strategy. While the Company can invest alongside these new investments, management does not anticipate the Company will have the funds to do so.

For the six months ended June 30, 2020, EPH generated unaudited revenue of $5,237,638 and recorded an unaudited net loss of $995,518.

See Note 5 for transactions with our equity method investment during the six-months ended June 30, 2020 and 2019.

NOTE 5 – RELATED PARTY TRANSACTIONS

The Company currently maintains an executive office in Florida, which is leased by an investment firm in which the Company's President previously served as an officer but never held any equity or voting rights. The Company has no formal agreement for this space and pays no rent.

During the six months ended June 30, 2020 and 2019, the Company recognized $350,000 and $426,692 as revenues based on management services provided to the Company's equity method investee (see Note 4) and, for the 2019 period, also for service fees under its agreement with Community Eco Power (CECO), which have been presented as revenues – related parties on the condensed consolidated statement of operations.

On April 7, 2020, the Company received $15,000 under multiple demand notes with interest payable at 10% annually from three Directors of the Company. These notes matured on June 30, 2020 and are in default; however, the Directors have indicated they will extend the terms.

During the year ended December 31, 2019, the Company received $788,500 from EPH under multiple demand notes payable with interest payable at 6% annually. This has been presented as note payable – related parties on the condensed consolidated balance sheets. During the six months ended June 30, 2020, the Company received an additional $147,673 from EPH as a note payable with interest payable at 6% annually. As of June 30, 2020 and December 31, 2019, accrued interest on these notes payable was $42,896 and $15,426 as presented on the condensed consolidated balance sheets. As of June 30, 2020 and December 31, 2019, the balance due on these demand notes payable was $936,173 and $788,500, respectively.

During the six months ended June 30, 2020 and 2019, the Company incurred approximately $32,676 and $6,168, in legal fees with a law firm in which the Company's audit committee chair is an employee. As of June 30, 2020 and December 31, 2019, accounts payable and accrued expenses include $43,251 and $10,575, respectively, for legal fees due to the law firm for services.

In May 2019, the Company signed a worldwide, exclusive license agreement with Agrarian Technologies LLC and its affiliates ("Agrarian") to sell Agrarian's proprietary bio-stimulant. The license also provides the Company with the exclusive rights to market soil and mulch products under the Wild Earth® and Mulch Masters® federally registered trademarks. As part of the transaction, the Company hired the principal owner of Agrarian and inventor of its technology to serve as the Company's vice president of product development ("VP"). The license agreement provides the Company exclusivity for the Agrarian technology for the longer of two years or the term of the VP with the Company plus an additional two years; provided however, if VP is terminated without cause, such exclusivity would concurrently terminate. The license agreement requires quarterly licensing fees based on a percentage of sales and a minimum fee of $30,000 per year paid quarterly. As of June 30, 2020 and December 31, 2019, $30,000 and $15,000 of license fees have been accrued and included in accounts payable and accrued expenses on the condensed consolidated balance sheets.

NOTE 6 – DEBENTURES, CONVERTIBLE BRIDGE NOTES, AND NOTES PAYABLE

Debentures

The Company has Original Issue Discount Senior Secured Convertible Debentures (the "Debentures") with two holders in the aggregate amount of $165,000 as of June 30, 2020 and December 31, 2019, and which currently are convertible at $0.10 per share and were due July 1, 2019. All assets of the Company are secured under the Debentures, including Q2P and its assets. The Debentures contain certain anti-dilutive protection provisions in the instance that the Company issues stock at a price below the stated conversion price of the Debentures, as well as other standard protections for the holder. The Debentures are currently in default and the Company is in negotiations with the holders to reach a new modification agreement or other resolution. If a resolution cannot be reached, the holder can accelerate all payments due, demand default interest, foreclose on the assets of the Company, or pursue other legal remedies available to it.

Convertible Bridge Notes

On March 31, 2017, the Company closed the initial $1,050,000 tranche in a convertible promissory note (the "Bridge Notes") offering (collectively, the "Bridge Offering"). In addition, as part of that initial closing, three of the Company's directors converted $156,368 and one shareholder converted $11,784 of prior notes and cash advances, including interest thereon, into the Bridge Offering. As of the end of 2017, an additional $600,000 was raised under the Bridge Offering and $23,756 of additional prior notes were converted into this round. In 2018, the Company raised an additional $980,000 in Follow-On Bridge Offering notes on substantially same terms as the Bridge Offering (but with a two-year maturity) with three accredited investors, one being our Chief Executive Officer and another a Director who each entered into a $12,500 Bridge Note, and one institutional investor. In 2019, one of these investors provided an additional $30,000 in Bridge Notes. In June 2018, one of the original Bridge Notes for $50,000 plus $7,664 accrued interest was converted by its holder into 613,451 shares of common stock.

The Bridge Notes from the Bridge Offering and the Follow-On Bridge Offering conducted in 2018 and 2019 convert at a 50% discount to the post-funding valuation of the Company at the closing of its next offering in the minimum amount of $5,000,000 (the "Equity Offering"). The conversion valuation has a ceiling of $12,000,000, and a "floor" company value of $6,000,000 in the event there is no Equity Offering before the Bridge Notes are able to be converted. As of the date of filing, the Company has not completed an Equity Offering defined in the Bridge Notes.

Pursuant to ASC 825-10-25-1, Fair Value Option, the Company made an irrevocable election at the time of issuance to report the Bridge Notes at fair value, with changes in fair value recorded through the Company's condensed consolidated statements of operations as other income (expense) in each reporting period. The estimated fair value of the Bridge Notes as of June 30, 2020 and December 31, 2019 was $3,074,000 and $2,473,000 (see Note 7), and the principal amount due was $2,801,908. The change in fair value resulted in a loss for the six months ended June 30, 2020 and 2019 of $323,185 and $245,726, respectively, which is presented as change in fair value of convertible bridge notes on the condensed consolidated statements of operations.

The Bridge Notes are currently convertible into common stock, or preferred stock if received by investors in the Equity Offering, at the discretion of each holder based on the conversion formula provided in the Bridge Notes. Maturity is 36 months from issuance (24 for the subsequently issued Follow-On Bridge Notes) with 15% annual interest which will be capitalized each year into the principal of the Bridge Notes and paid in kind.

As of June 30, 2020, multiple Bridge Notes with an aggregate principal balance of $2,801,908 and accrued interest of $1,116,914 are in default. The Company is in discussions with the lead investors of this group to reach a settlement, which may include an extenuation of the term, conversion into equity, or some other combination of these potential options.

Notes Payable

On April 14, 2020, the Company received $142,942 under the Paycheck Protection Program (PPP) overseen by the U.S. Small Business Administration. The loan has an annual interest rate of 1% with loan payments being deferred six months from the date of the loan with a maturity date of April 14, 2022. The Company used these funds for payroll costs only and will apply for forgiveness of the loan under the program once the U.S. Small Business Administration starts accepting the forgiveness applications. As of June 30, 2020, this loan has been presented in current liabilities in the accompanying unaudited condensed balance sheet.

On June 8 and 19, 2020, the Company received a total of $60,000 under a promissory note with an unrelated third party with multiple tranches with interest payable at 8% annually. All outstanding principal and interest accrued and unpaid on the note shall be due and payable twelve (12) months after the respective tranche date. The principal and accrued interest is convertible into the Company's equity on the same terms, conditions and other rights provided to investors in the next equity offering in an amount of at least $1 million. As of June 30, 2020, $60,000 remains due under this promissory note and has been presented as convertible notes payable on the accompanying unaudited condensed balance sheet.

See Note 5 for notes payable outstanding with the Company's related parties.

NOTE 7 – FAIR VALUE MEASUREMENT

The Company measures fair value in accordance with a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 Quoted prices in markets that are not active, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability; and

Level 3 Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (supported by little or no market activity).

As disclosed in Note 6, the Bridge Notes are reported at fair value, with changes in fair value recorded through the Company's condensed consolidated statements of operations as a component of other income (expense) in each reporting period.

The following tables set forth the Company's consolidated financial assets and liabilities measured at fair value by level within the fair value hierarchy at June 30, 2020 and December 31, 2019. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

	Fair value at June 30, 2020	Level 1	Level 2	Level 3
Convertible Bridge Notes	$ 3,074,000	$ -	$ -	$ 3,074,000
Total	$ 3,074,000	$ -	$ -	$ 3,074,000

	Fair value at December 31, 2019	Level 1	Level 2	Level 3
Convertible Bridge Notes	$ 2,473,000	$ -	$ -	$ 2,473,000
Total	$ 2,473,000	$ -	$ -	$ 2,473,000

The following tables present a reconciliation of the beginning and ending balances of items measured at fair value on a recurring basis that use significant unobservable inputs (Level 3) and the related realized and unrealized gains (losses) recorded in the consolidated statement of operations during the periods.

	Six Months Ended June 30, 2020
Fair value, December 31, 2019	$ 2,473,000
Accrued interest	276,565
Amortization of debt issuance costs	1,250
Net unrealized loss on convertible bridge notes	323,185
Fair value, June 30, 2020	$ 3,074,000
Less: current portion of bridge notes	3,038,749
Fair value, June 30, 2020, less current portion	$ 35,251

The Company's convertible Bridge Notes are valued by using Monte Carlo Simulation methods and discounted future cash flow models. Where possible, the Company verifies the values produced by its pricing models to market prices. Valuation models require a variety of inputs, including contractual terms, market prices, yield curves, credit spreads, measures of volatility and correlations of such inputs. These convertible Bridge Notes do not trade in liquid markets, and as such, model inputs cannot generally be verified and do involve significant management judgment. Such instruments are typically classified within Level 3 of the fair value hierarchy. The following assumptions were used to value the Company's convertible Bridge Notes at June 30, 2020: dividend yield of -0-%, volatility of 148.5%, risk free rate of 0.15% and an expected term of .17 years. The fair value of the Bridge Note was estimated based on the present value expected future cash flows using a discount rate of 20%. The following assumptions were used to value the Company's convertible Bridge Notes at June 30, 2019: dividend yield of -0-%, volatility of 170%, risk free rate of 2.01% and an expected term of 9 months. The fair value of the Bridge Note was estimated based on the present value expected future cash flows using a discount rate of 20%.

NOTE 8 – COMMON STOCK, PREFERRED STOCK AND WARRANTS

Common Stock

On February 7, 2020, the Company's stockholders approved an increase in the Company's authorized common shares from 100,000,000 to 300,000,000.

The Company issued 5,000,000 shares of common stock in the first quarter of 2020 in connection with a services contract valued at $50,000, which is being expensed over the six-month service term of the contract. During the six months ended June 30, 2020, the Company recognized $45,833 of stock-based compensation which is included in professional fees on the condensed consolidated statement of operations. The Company measured the fair value of the common stock issued based on the market price on contract execution date as no specific performance by the grantee is required to retain the issued shares.

During the six months June 30, 2019, the Company recognized $115,714 of stock-based compensation in connection with a six-month service contract which is included in professional fees on the condensed consolidated statement of operations.

Redeemable Convertible Preferred Stock

The Company has 600 shares of Preferred Stock issued and outstanding, which currently are convertible at $0.10 per share of the Company's common stock (the "Conversion Price"), as per the terms of a March 2018 Modification and Extension Agreement (the "2018 Modification"). The Preferred Stock bears a 6% dividend per annum, calculable and payable per quarter in cash or additional shares of common stock as determined in the Certificate of Designation. The Preferred Stock has no voting rights until converted to common stock and has a liquidation preference equal to the aggregate purchase price of $600,000 plus accrued dividends. In December 2017 and January 2018, the Company was obligated to redeem all of the then outstanding Preferred Stock, for an amount in cash equal to the Two Year Redemption Amount (such redemption, the "Two Year Redemption"). The Company extended the redemption date to July 1, 2019 pursuant to a new modification agreement signed in March 2019. The Preferred Stock is currently in default, and the Company is negotiating a modification with the holders. If a resolution cannot be reached, the holder can accelerate the redemption due, foreclose on the assets of the Company, or pursue other legal remedies available to it. Each share of Preferred Stock received warrants (the "Warrants") equal to one-half of the Purchase Price to purchase common stock in the Company exercisable for five years following closing, currently exercisable at a price of $0.50 per share.

The Preferred Stock has price protection provisions in the case that the Company issues any shares of stock not pursuant to an "Exempt Issuance" at a price below the Conversion Price. Exempt Issuances include: (i) shares of Common Stock or common stock equivalents issued pursuant to the original merger of the company or any funding contemplated by that transaction; (ii) any common stock or convertible securities outstanding as of the date of closing; (iii) common stock or common stock equivalents issued in connection with strategic acquisitions; (iv) shares of common stock or equivalents issued to employees, directors or consultants pursuant to a plan, subject to limitations in amount and price; and (v) other similar transactions. The Certificate of Designation contains restrictive covenants not to incur certain debt, repurchase shares of common stock, pay dividends or enter into certain transactions with affiliates without consent of holders of 67% of the Preferred Stock. The holders of the Preferred Stock consented to the Bridge Offering.

Management has determined that the Preferred Stock is more akin to a debt security than equity primarily because it contains a mandatory 2-year redemption at the option of the holder, which only occurs if the Preferred Stock is not converted to common stock. Therefore, management has presented the Preferred Stock outside of permanent equity as mezzanine equity, which does not factor into the totals of either liabilities or equity.

The Preferred Stock carries a 6% per annum dividend calculated on the stated value of the stock and is cumulative and payable quarterly beginning July 1, 2016. These dividends are accrued at each reporting period. They add to the redemption value of the stock; however, as the Company shows an accumulated deficit, the charge has been recognized in additional paid-in capital.

Warrants

During the six months ended June 30, 2020, the Company did not issue any warrants, and 2,000,000 warrants expired. The following is a summary of all outstanding common stock warrants as of June 30, 2020:

	Number of Warrants	Exercise price per share	Average remaining term in years
Warrants issued in connection with issuance of Preferred Stock	1,153,845	$ 0.50	0.55

During the year ended December 31, 2018, we committed to issuing warrants to purchase 150,000 shares of common stock at $.04 per share and expiring in five years, to one of our consultants prior to the consummation of any merger or equity financing of more than $1,000,000. These warrants are provisional and are not considered outstanding or granted as of June 30, 2020.

NOTE 9 – STOCK OPTIONS AND RESTRICTED STOCK UNITS

On July 31, 2014, the Board of Directors of Q2P approved the Founders Stock Option Plan ("Founders Plan") and the 2014 Employee Stock Option Plan (the "2014 Plan"), collectively the "Option Plans". The Option Plans were developed to provide a means whereby directors and selected employees, officers, consultants, and advisors of the Company may be granted incentive or non-qualified stock options to purchase restricted common stock of the Company. On February 25, 2016, to accommodate the appointment of new Board members and additional incentive stock options and stock grants to key employees of the Company, the Board approved the 2016 Omnibus Equity Incentive Plan ("2016 Plan"), which allowed for an additional four million shares of common stock, stock options, stock rights (restricted stock units), or stock appreciation rights to be granted by the Board in its discretion. This authorized amount was increased to 10 million shares by Board resolution and amendment to the 2016 Plan in 2017. The 2016 Plan, as amended, was approved by the Company's shareholders in January 2020.

The Company issued 3,200,000 stock options in the first six months of 2020, one million each to two of the Company's independent directors, 500,000 each to one other independent director and one Board observer, and 200,000 to a new director. The options issued to the current directors and Board obverse were fully vested upon issuance, are exercisable at a price of $0.02 per share, and expire ten years after issuance. The 200,000 options to the new director vest half in 12 months and the balance in 24 months, expire in five years, and are exercisable at $0.02 per share. The options were valued at $18,023 (pursuant to the Black Scholes valuation model see below), based on an exercise price of $0.02 per share and estimated expected term of 5.0 years. This has been classified in general and administrative expense in the condensed consolidated statements of operations.

Option Repricing

On January 6, 2020, the compensation committee of the Company's Board of Directors, approved a one-time stock option repricing program (the "Option Repricing") to permit the Company to reprice certain options to purchase the Company's Common Stock held by its current directors, officers and employees (the "Eligible Options"), which actions became effective on January 6, 2020. Under the Option Repricing, Eligible Options with an exercise price at or above $0.10 per share (representing an aggregate of 6,311,000 options, or 54% of the total outstanding) were amended to reduce such exercise price to $0.02.

The impact of the Option Repricing was a one-time incremental non-cash charge of $6,304, which was recorded as stock option expense in the first quarter of 2020 which is included in general and administrative expenses on the condensed consolidated statement of operations.

Total stock-based compensation for stock options issued and the one-time incremental charge for the Option Repricing for the six months ended June 30, 2020 was $24,327. There was no stock-based compensation recognized in 2019 related to stock options.

A summary of the common stock options issued under the Option Plans and the 2016 Plan for the six months ended June 30, 2020 is as follows:

	Number Outstanding	Weighted Avg. Exercise Price	Weighted Avg. Remaining Contractual Life (Years)
Balance, December 31, 2019	8,515,480	$ 0.12	4.2
Options issued	3,200,000	0.02	9.5
Balance, June 30, 2020	11,715,480	0.07	6.2

The vested and exercisable options at period end follows:

	Exercisable/ Vested Options Outstanding	Weighted Avg. Exercise Price	Weighted Avg. Remaining Contractual Life (Years)
Balance, June 30, 2020	11,515,480	$ 0.07	6.2

The fair value of new stock options granted and repriced stock options using the Black-Scholes option pricing model was calculated using the following assumptions for the six months ended June 30, 2020:

	Six Months Ended June 30, 2020
Risk free interest rate	1.610%
Expected volatility	149.67%
Expected dividend yield	-%
Expected term in years	5.0

Expected volatility is based on historical volatility of a group of 4 comparable companies, due to the low trading volume of the Company's own stock. Short Term U.S. Treasury rates were utilized as the risk-free interest rate. The expected term of the options was calculated using the alternative simplified method codified as ASC 718 "*Accounting for Stock Based Compensation,*" which defines the expected life as the average of the contractual term of the options and the weighted average vesting period for all issuances.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

In April 2017, the Company entered into two Employment Agreements, the first with its Chairman and, as of July 2017, CEO; and the second with its previous CEO and, as of July 2017, President and General Counsel. The annual salaries under these Employment Agreements are $350,000 and $220,000, respectively, and agreements have provisions for severances in the instance either executive is terminated without cause or after a change in control (24 months for the CEO and 12 months for the President).

Pursuant to a services agreement signed in 2018, an additional 150,000 warrants with a five-year term and exercisable at $0.04 per share are issuable to the provider but have not formally been issued as of June 30, 2020 and are not considered outstanding.

As disclosed in Note 5, in May 2019, the Company signed a worldwide, exclusive license agreement with Agrarian Technologies LLC and its affiliates ("Agrarian") to sell Agrarian's proprietary ABS bio-stimulant, an organic, natural compound designed to enhance root formation, increase vascular strength and promote overall plant health through the entire growth cycle. The license also provides the Company with the exclusive rights to market soil and mulch products under the Wild Earth® and Mulch Masters® federally registered trademarks. The agreement is 10-years with renewal terms, and provides Agrarian royalties based on the sale of the ABS formula including minimum annual guarantees of $30,000 paid quarterly. As of June 30, 2020, quarterly fees totaling $30,000 since execution of this agreement have not been paid but accrued and are included in accounts payable and accrued expenses on the condensed consolidated balance sheets.

As disclosed in Note 2, the QSAM License Agreement requires multiple milestone based payments including: $60,000 and other expense reimbursements within 60 days of signing, which have been paid, up to $150,000 as the Technology advances through multiple stages of clinical trials, and $1.5 million upon commercialization. IGL will also receive equity in QSAM equal to 5% of the company to be issued within 60 days of signing, which has not yet been issued. Upon commercialization, IGL will receive an on-going royalty equal to 4.5% of Net Sales, as defined in the License Agreement, and up to 50% of any Sublicense Consideration received by QSAM, as defined in the License Agreement. QSAM will also pay for ongoing patent filing and maintenance fees, and has certain requirements to defend the patents against infringement claims. As of June 30, 2020, the Company has paid $30,000 under the QSAM License Agreement representing the initial license fee (and another $30,000 representing the second license fee paid in the third quarter), as well $60,000 in expense reimbursements required under that agreement. These costs have been reflected as research and development expenses on the condensed consolidated statements of operations.

NOTE 11 - SUBSEQUENT EVENTS

In August 2020, QSAM issued a convertible promissory note to an institutional investor in the amount of $110,000, which matures 12 months after the date of the four funding tranches provided by the investor – between June and August 2021. Two of these tranches totaling $60,000 were received in June 2020 (see Note 6). The note bears 8% interest payable at maturity, and its principal and interest are convertible into equity of Company prior to maturity. The note is guaranteed by the Company. The proceeds from this note were used to fulfill commitments under the QSAM License Agreement, as well as other development efforts for the Technology.

ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND PLAN OF OPERATIONS

FORWARD LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains certain forward-looking statements, as defined in the Private Securities Litigation Reform Act of 1995, including or related to our future results, events and performance (including certain projections, business trends and assumptions on future financings), and our expected future operations and actions. In some cases, you can identify forward-looking statements by the use of words such as "may," "should," "plan," "future," "intend," "could," "estimate," "predict," "hope," "potential," "continue," "believe," "expect" or "anticipate" or the negative of these terms or other similar expressions. These forward-looking statements generally relate to our plans and objectives for future operations and are based upon management's reasonable estimates of future results or trends. In evaluating these statements, you should specifically consider the risks that the anticipated outcome is subject to, including the factors discussed under "RISK FACTORS" in previous filings and elsewhere. These factors may cause our actual results to differ materially from any forward-looking statement. Actual results may differ from projected results due, but not limited to, unforeseen developments, including those relating to the following:

- We fail to raise capital;
- We fail to implement our business plan;
- We fail to complete acquisitions or fail to integrate acquired companies successfully;
- We fail to compete at producing cost effective products;
- Market demand does not materialize for compost and manufactured soils;
- The availability of additional capital at reasonable terms to support our business plan;
- Economic, competitive, demographic, business and other conditions in our markets;
- Changes or developments in laws, regulations or taxes;
- Actions taken or not taken by third-parties, including our suppliers and competitors;
- The failure to acquire or the loss of any license or patent;
- The failure to obtain or loss of a permit or operating license;
- Changes in our business strategy or development plans;
- The availability and adequacy of our cash flow to meet our requirements;
- Economic and other conditions caused by the Covid-19 or other pandemics; and
- Other factors discussed under the section entitled "RISK FACTORS" in previous filings or elsewhere herein.

You should read this Quarterly Report completely and with the understanding that actual future results may be materially different from what we expect. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, future financings, performance, or achievements. Moreover, we do not assume any responsibility for accuracy and completeness of such statements in the future. We do not plan to update any of the forward-looking statements after the date of this Quarterly Report to conform such statements to actual results.

A. Plan of Operation

Overview.

Our primary business is acquiring and overseeing the acquisition of companies in the compost and soil health sector. Through an affiliated company, Earth Property Holdings LLC ("EPH") we have completed two acquisitions of compost facilities in Austin, Texas and Jacksonville, Florida, and currently manage all the operations of those entities through a long-term Management Agreement. Prior to our current operations, we were developing waste-to-power technology with the goal of pursuing business opportunities in the clean energy sector. In 2017 we raised funding through our Bridge Offering (discussed below) to transition into the soil health sector, and sold our waste-to-power technology to a licensee.

EPH is an unconsolidated investee entity in which we currently own an 18.2% Class B equity stake. Class A equity holders comprised of one primary institutional investor and two follow-on investors who have collectively provided approximately $7 million to EPH, own the other 81.8% of the company. We believe that the percentage of EPH ownership represented by our Class B units will be significantly diluted in the following periods as EPH seeks additional equity capital to continue its acquisition strategy. While we have the right to invest alongside new capital to maintain our equity stake, we do not expect to have the funds to do so.

We have an eight-year Management Agreement to run EPH, which provides us $700,000 in annual fees, and pursuant to which we oversee all daily operations, financial and legal matters including environmental and permitting. We have no assurances that our Management Agreement will be continued in future periods, as EPH has the right to terminate that agreement at will with the payment of a one-year severance fee.

In addition to our management role on behalf of EPH, during 2019 we secured other potential revenue and value creation opportunities for the Company. In May 2019, we signed a worldwide, exclusive license agreement with Agrarian Technologies LLC and its affiliates ("Agrarian") to sell Agrarian's proprietary ABS bio-stimulant, an organic, natural compound designed to enhance root formation, increase vascular strength and promote overall plant health through the entire growth cycle. The license agreement covers all ABS formulations, applications and improvements, including a proprietary process to utilize ABS to boost the nutrient and commercial value of compost, engineered soils and wood mulch. The license also provides the Company with the exclusive rights to market soil and mulch products under the Wild Earth® and Mulch Masters® federally registered trademarks. The agreement is 10-years with renewal terms, and provides Agrarian royalties based on the sale of the ABS formula including minimum annual guarantees.

As part of the transaction, we also hired the principal owner of Agrarian and inventor of its technology, Richard Stewart, to serve as our Vice President of Product Development. Our license agreement provides us exclusivity for the Agrarian technology for the longer of two years or the term of Mr. Stewart's employment with the Company plus an additional two years; provided however, if Mr. Stewart is terminated without cause, such exclusivity would concurrently terminate.

ABS, a product of over 50 years of university and private research, meets USDA standards for an organic system plan. Management believes that the license with Agrarian will not only support compost production and sales at the Company's affiliated EPH but will also provide the Company with an independent business line in the soil health sector. We have commenced marketing of ABS both as a stand-alone product and as a soil and mulch enhancement, although these operations are still in their start-up phase and no material revenue has been generated through these activities.

New Strategic Plan.

In January 2020, our Board of Directors authorized a strategic plan for 2020 which is comprised of: (1) securing new technologies and business opportunities in the broader biosciences sector, including both human and soil health; and (2) significantly reducing debt and liabilities of the Company and eliminating under-performing assets and agreements. The successful results of these actions are intended to attract new capital to fund long term growth opportunities for the Company; however, there is no guaranty that we will be successful in implementing this plan.

To advance these plans, in January 2020, we appointed Douglas R. Baum to our Board of Directors. Mr. Baum has over 28 years of experience in the bioscience and biotech industries, including development, commercialization and marketing of multiple drugs and medical devices. Over his senior executive tenure, including as CEO of Xeris Pharmaceuticals, he has overseen 15 product approvals through the FDA and raised over $80 million in capital to fund breakthrough technologies. Mr. Baum was granted a 5-year option to purchase 200,000 shares of the Company's commons stock exercisable at $0.02 per share. The options vest one-half in 12 months and the balance in 24 months.

After his appointment to the Board, Mr. Baum secured for the Company an Exclusive Dealing Option Agreement to provide us a 90-day period to negotiate with IGL Pharma Inc. ("IGL") for a license to the radiopharmaceutical Samarium-153 DOTMP ("Sm-153 DOTMP"). Sm-153 DOTMP is a promising drug with initial indications for pediatric osteosarcoma, a devastating form of bone cancer afflicting children, as well as a broader market in bone marrow ablation and other metastasized bone cancers. IGL is an affiliated entity of ISO Therapeutics Group LLC, whose founders created Quadramet® (Samarium-153-EDTMP) one of the first effective commercial radiopharmaceuticals. Since signing the option agreement for the licensing of Sm-153-DOTMP, we have provided IGL with $50,000 of advanced support fees to fund a single patient test for the drug, which has been approved by the FDA to treat a patient in a bone marrow ablation procedure.

On April 20, 2020, we exercised our option and executed a Patent and Technology License Agreement and Trademark Assignment (the "License Agreement") with IGL, through a newly created, wholly-owned subsidiary called QSAM Therapeutics Inc. ("QSAM"). The License Agreement provides our subsidiary QSAM with exclusive, worldwide and sub-licensable rights to all of IGL's patents, product data and knowhow with respect to Sm-153 DOTMP. The License Agreement also transfers to QSAM the rights to the product name CycloSam for the technology, and provides QSAM a first right of refusal to license other IGL/ISO technologies in the future.

The License Agreement is for 20 years or until the expiration of the multiple patents covered under the license, and requires multiple milestone based payments including: $60,000 and other expense reimbursements within 60 days of signing (such expenses have been paid), up to $150,000 as Sm-153 DOTMP advances through multiple stages of clinical trials, and $1.5 million upon commercialization. IGL will also receive equity in QSAM equal to 5% of the company to be issued within 60 days of signing. Upon commercialization, IGL will receive an on-going royalty equal to 4.5% of Net Sales, as defined in the License Agreement, and up to 50% of any Sublicense Consideration received by QSAM, as defined in the License Agreement. QSAM will also pay for ongoing patent filing and maintenance fees, and has certain requirements to defend the patents against infringement claims. The parties have agreed to mutual indemnification.

Either party may terminate the License Agreement 30 days after notice in the event of an uncured breach, or immediately in the case of bankruptcy or insolvency of the other party. QSAM may terminate for any reason upon 30 days' notice. In the case IGL terminates due to an uncured QSAM breach, IGL will repay to QSAM 25% of its direct clinical costs to assume ownership of data and other information gained in that process.

In connection with the License Agreement, QSAM signed a two-year Consulting and Confidentiality Agreement (the "Consulting Agreement") with IGL, which provides IGL with payments of $8,500 per month starting 60 days after signing. The Consulting Agreement is to provide QSAM with additional consulting and advisory services from the technology's founders to assist in the clinical development of Sm-153 DOTMP.

Mr. Baum, a Director of the Company, has been named President and CEO of the subsidiary QSAM, with authority to start building a team to oversee clinical trials and other operations for the development and commercialization of the Technology.

Management believes that the opportunity presented to the Company with the licensing of Sm-153 DOTMP must be viewed in connection with our broader strategic plan for 2020. Specifically, it is critical for the Company to take decisive action to reduce our debt burden, which has started to mature including some significant obligations which are currently in default or will be in default in the coming periods. We believe there is a path forward that includes transferring the ABS licensed technology we control related to our compost and soil business to EPH, as well as a termination of the management agreement, in return for a forgiveness of approximately $1 million in loans as of the end of the second quarter of 2020. As part of this plan, we would seek to redeem and retire or covert into equity approximately $4.2 million of Bridge Notes principal and interest. If we convert these notes to equity, that would cause significant dilution for current shareholders.

While the details of this strategic plan have not been finalized, we are in discussions with all of the stakeholders required to accomplish it. The results of the successful completion of this plan, for which there is no guaranty, could mean a stronger balance sheet and the infusion of new capital to pursue this novel pharmaceutical opportunity. While a transition into this new business line is a departure from our current compost and soil operations, which are not financially sustainable for the Company in its current condition and would be continued by EPH if the plan is completed, management believes that the path to creating shareholder value is more visible and probable if we can complete these corporate actions in 2020.

Bridge Offering and Follow-On Funding. To fund our transition into the compost space, we issued a total of $2,821,908 in Convertible Promissory Notes (the "Bridge Notes") during 2017 and 2018 (the "Bridge Offering") and $30,000 in 2019. Proceeds from the Bridge Notes were used to complete due diligence, negotiate and secure the initial compost acquisitions, as well as for operational expenses and legacy debt repayment. The Bridge Notes convert at a 50% discount to the post-funding valuation of the Company at the closing of its next offering in the minimum amount of $5,000,000 (the "Equity Offering"). The conversion valuation has a ceiling of $12,000,000, and a "floor" company value of $6,000,000 in the event there is no Equity Offering before the Bridge Notes are able to be converted. The Bridge Notes convert into common stock, or preferred stock if received by investors in the Equity Offering, commencing on the soonest of the Equity Offering closing or December 31, 2017, at the discretion of the holder. In 2018, one Bridge Note in the principal amount of $50,000 was converted into shares of common stock. Maturity is 36 months from issuance (except for certain Bridge Notes issued in 2018 and 2019, which have a 24-month term) with 15% annual interest which is capitalized each year into the principal of the Notes and paid in kind.

As of June 30, 2020, approximately $2,801,908 of the original issuance principal amount and $1,116,914 of accrued interest on the Bridge Notes matured and is currently in default. Management is working on a plan to extend the term or convert into equity these and the other Bridge Notes, as discussed above. Any equity conversion would be highly dilutive to our current shareholders. If we cannot repay these obligations or otherwise come to agreement with the holders, our ability to operate will be materially adversely affected, if not completely shut down and the Company may be forced to seek bankruptcy protection.

To continue operations in 2020, we will need to raise additional capital for the Company. We have a verbal commitment with the primary investor of EPH that they will continue to provide funding to the Company either as Bridge Notes, other Q2 securities, or advances on management fees, to maintain our operations through at least the end of the third quarter of 2020; however, we do not have any formal written agreement and there can be no guarantee that this investor will continue to fund our operations in the future. While we are cautiously optimistic that we will have funding to maintain our current operations and advance our business plan, management cannot guarantee that additional financing can be completed on terms acceptable to the Company, if at all.

Without additional funding, specifically equity funding, we will continue to face significant challenges pursuing our current business strategy and developing it to a state where we are self-sustaining or profitable. We anticipate that our equity ownership in EPH will be diluted in future periods as that company raises additional equity capital with liquidation preferences ahead of ours. We may never experience a return on our investment in EPH. Further, since our Management Agreement with EPH can be cancelled at will by EPH, we have no assurances that this revenue stream will continue in the future. Management recognizes these uncertainties, and is seeking options to allow us to reduce our significant debt load from the Bridge Notes, convertible notes and preferred stock, and debt owed to EPH; and also allow us to develop business lines that generate revenue which can support our ongoing operations and eventually lead to profitability. If we are unable to raise additional capital or develop profitable business lines, we may need to reduce materially our overhead, including laying-off employees and officers.

B. **Management's Discussion and Analysis of Financial Condition and Results of Operations**

Between July 2014 and mid-2016, through Q2P we primarily devoted our efforts to commercializing the Q2P engine and CHP system, developing our waste-to-power business model, and recruiting executive management and key employees. In August 2017, sold our engine technology and are now focused on promoting our compost manufacturing business model, including providing soil management services and facilitating the acquisition of or investing in other compost manufacturing companies. We have also recently licensed a promising radiopharmaceutical for the treatment of bone cancer; and have established a subsidiary headed by one of our directors to pursue this opportunity into the broader biosciences sector. As a new entity, we have limited current business operations and nominal assets. We currently operate at a loss with minimal to no revenue. We currently have five full time employees, including our CEO, President, two Vice Presidents, and controller.

COVID-19

In March 2020, the World Health Organization declared COVID-19 a global pandemic and recommended containment and mitigation measures worldwide. We are monitoring this closely, and although operations have not been materially affected by the COVID-19 outbreak to date, the ultimate duration and severity of the outbreak and its impact on the economic environment and our business is uncertain. Accordingly, while we do not anticipate an impact on our operations, we cannot estimate the duration of the pandemic and potential impact on our business. In addition, a severe or prolonged economic downturn could result in a variety of risks to our business, including a possible delay in our ability to raise money. At this time, the Company is unable to estimate the impact of this event on its operations.

Results of Operations for the three months ended June 30, 2020 and 2019

For the three months ended June 30, 2020, we recorded $175,001 in revenue from a related entity pursuant to a management service agreement, a decrease of $77,881 over revenue of $252,882 recorded in the same period in 2019. The decrease in revenue in the current year is mainly driven by the service fees earned in the amount of $88,596 in 2019 under its agreement with Community Eco Power (CECO).

For the three months ended June 30, 2020, we recorded a net loss of $872,645, an increase of $59,948 (7%) from our net loss of $812,697 for the same period in 2019. Basic and diluted net loss per share was $0.02 for both the periods ended June 30, 2020 and 2019. The primary underlying reasons for the increase in the net loss for the current period over 2019 were a decrease of $77,881 in revenue and an increase in operating expenses of $103,614 offset by a decrease in the loss recognized due to the change in the fair value of the convertible bridge notes of $141,372.

The majority of the $103,614 increase in operating expenses was due to an increase in general and administrative expenses of $100,330 (229%) to $144,196 for the three months ended June 30, 2020 from $43,866 for the same period in 2019, primarily due to QSAM license fees incurred in the amount of $87,000.

Results of Operations for the six months ended June 30, 2020 and 2019

For the six months ended June 30, 2020, we recorded $350,000 in revenue from a related entity pursuant to a management service agreement, a decrease of $76,692 over revenue recorded in the same period in 2019.

For the six months ended June 30, 2020, we recorded a net loss of $1,310,046, a decrease of $7,925 (1%) from our net loss of $1,317,971 for the same period in 2019. Basic and diluted net loss per share was $0.02 for both the six-month periods ended June 30, 2020 and 2019.

The majority of the $164,624 decrease in operating expenses was due to a decrease in payroll and related expenses of $245,967 (28%) to $629,270 for the six months ended June 30, 2020 from $875,237 for the same period in 2019, primarily due to a $150,000 bonus approved by the Board to be paid to two of the Company's executives. This bonus has not been paid and is expected to be converted to equity or forfeited.

We recorded $350,000 of revenue related to management fees from our equity method investment EPH which is considered to be a related party during the six months ended June 30, 2020 compared to the same period in 2019 which reflected $426,692 from the same contract and $88,596 under its agreement with Community Eco Power (CECO).

In addition, the Company received a $5,000 grant when applying for an Economic Injury Disaster Loan with the U.S. Small Business Administration, which was denied by SBA. This $5,000 grant does not need to be repaid and is reflected as other income.

Financial Condition, Liquidity and Capital Resources

For six months ended June 30, 2020, cash increased by $19,123. This increase was primarily the result of the funds received in the amount of $142,942 from the Paycheck Protection Program.

Net cash used by operating activities was $346,492 for the six months ended June 30, 2020, which reflected our net loss during the period of $1,310,046, offset by the non-cash adjustments of $698,630 and the net increase in operating assets and liabilities of $264,924. The majority of non-cash adjustments consists of $323,185 in the fair value change of the convertible bridge notes, in addition to the $276,565 accrued interest on the bridge notes.

Our net loss resulted largely from our funding of activities related to the execution of our business strategy of facilitating the acquisition of and investment in and managing compost manufacturing businesses, including conducting due diligence and incurring consulting and professional expenses and hiring additional employees to support these operations, as well as ongoing general and administrative expenses. Net loss also consisted of fees and expenses paid to IGL to secure our license agreement for Sm-153 DOTMP.

Net cash used in investing activities during six months ended June 30, 2020 consisted of $0.

Net cash provided by financing activities during the six months ended June 30, 2020 consisted of $365,615 due to additional proceeds received from a related parties, proceeds from the note payable to Checkmate Capital and funds received from the Paycheck Protection Program that was used to keep our workforce employed during the Coronavirus (COVID-19) crisis.

At June 30, 2020, our cash totaled $19,601. Our cash is currently held at large U.S. banks.

Based on our current strategy and operating plan, we need to raise additional capital to support operations; therefore, there is substantial doubt about our ability to operate as a going concern. See “Note 2 – Basis of Presentation and Going Concern” in our consolidated financial statements.

Bridge Financing. In 2017, 2018, and 2019, we completed our Bridge Offering with $2,660,092 of new cash raised plus an additional $191,908 in old debt converted into the round. In 2018, one Bridge Note in the principal amount of $50,000 was converted into shares of common stock. The Bridge Notes convert at a 50% discount to the post-funding valuation of the Company at the closing of our next offering in the minimum amount of $5,000,000 (the “Equity Offering”). The conversion valuation has a ceiling of $12,000,000, and a “floor” company value of $6,000,000 in the event there is no Equity Offering before the Bridge Notes are able to be converted.

The Bridge Notes are currently convertible into our common stock, or preferred stock if received by investors in the Equity Offering, at the discretion of the individual holders. Maturity is 36 months (24 months for Bridge Notes issued in 2018) from issuance with 15% annual interest which will be capitalized each year into the principal of the Bridge Notes and paid in kind.

As of June 30, 2020, approximately $2,801,908 of the original issuance principal amount of the Bridge Notes matured and is currently in default. Management is working on a plan to extend the term or convert into equity these and the other Bridge Notes. Any equity conversion would be highly dilutive to our current shareholders. If we cannot repay these obligations or otherwise come to agreement with the holders, our ability to operate will be materially adversely affected, if not completely shut down and the Company may be forced to seek bankruptcy protection.

The Bridge Offering was led by two accredited investors and joined by approximately 25 additional accredited investors which included our Directors. The Bridge Notes issued in 2018 were mainly to one accredited investor that also led the equity funding for EPH. Management conducted the Bridge Offering and no broker fees were paid in connection with the initial closing. All securities issued in the Bridge Offering and debt settlements were issued pursuant to an exemption from registration under Section 4(a)(2) under the Securities Act of 1933.

Funds from the Bridge Offering were used to secure our acquisitions of or investments in compost and soil companies, retire old debt, and pay operating expenses in 2017 and 2018.

Company’s Prior Financings.

Subsequent to our 2015 merger into the public vehicle, we raised $600,000 in our Series A 6% Convertible Preferred Stock (the “Preferred Stock”) from two separate accredited investors in November 2015 and January 2016, respectively. The Preferred Stock bears a 6% dividend per annum, calculable and payable per quarter in cash or additional shares of common stock as determined in the Certificate of Designation. The Preferred Stock was originally convertible at $0.26 per share at the discretion of the holders and contains price protection provisions in the instance that we issue shares at a lower price, subject to certain exemptions. As a result of the July 2016 common stock offering described below, the conversation price for these Preferred Shares automatically reduced to $0.21 per share, and as a result of the Bridge Offering, the conversion price was reset to $0.15 per share. Pursuant to the 2018 Modification, the conversion price is currently $0.10 per share. Preferred Stock holders also received other rights and protections including piggy-back registration rights, rights of first refusal to invest in subsequent offerings, security over our assets (secondary to our debt holders), and certain negative covenant guaranties that we will not incur non-ordinary debt, enter into variable pricing security sales, redeem or repurchase stock or make distributions, and other similar warranties. The Preferred Stock is redeemable on July 1, 2019 per a March 2019 modification and has no voting rights until converted to common stock. The Preferred Stockholders also received 50% warrant coverage at an exercise price of $0.50, with a five-year term and similar price protections as in the Preferred Stock. Pursuant to agreements with the warrant holders, this conversion price remains at $0.50 as of June 30, 2020.

On March 15, 2016, we entered into a 120-day term loan agreement with one accredited investor in the principal amount of $150,000. The loan bore 20% interest with interest payments due monthly. The holders of the term loan received 100,000 shares of common stock valued at $26,000, $3,000 cash and a second security interest in our assets of in exchange for arranging the financing. This loan matured on July 15, 2016, and a 10% late penalty was assessed on July 15, 2016. On March 22, 2017, we entered into an addendum to the loan agreement with the lenders which extended the maturity date to December 31, 2017, allowed for conversion at the discretion of the holders to common stock, and waived all defaults in return for payment of $30,000 which included the late fee and accrued but unpaid interest. These fees and interest payments were paid in April 2017, and the loan was repaid in full in December 2017.

On April 29, 2016, our three independent Directors loaned us a total of $60,200 pursuant to three convertible notes. The total principal amount of all three notes was $66,000. The notes were converted into the Bridge Offering in March 2017. In June 2016, three other shareholders provided an additional $30,000 us on the same loan terms, which were also subsequently converted into the Bridge Offering.

In July and August 2016, we received subscription agreements from six accredited investors (four of whom were previous shareholders) to purchase 750,000 shares of restricted common at a price of $0.21 per share for an aggregate of $157,500, less $610 in financing costs.

In September 2016, our three independent Board members advanced us $3,000 for payment of insurance premiums. In the fourth quarter of 2016 and first quarter of 2017, the three Board members advanced an additional $29,500 to cover expenses. All of these advances were converted into our Bridge Offering.

All promissory notes and shares in these offerings were sold pursuant to an exemption from the registration requirements of the Securities Exchange Commission under Regulation D to accredited or sophisticated investors who completed questionnaires confirming their status. Unless otherwise described in this Quarterly Report, reference to “restricted” common stock means that the shares have not been registered and are restricted from resale pursuant to Rule 144 of the Securities Act of 1933, as amended.

Cash and Working Capital

We have incurred negative cash flows from operations since inception on an annual basis. As of June 30, 2020, we had an accumulated deficit of $12,359,257 and negative working capital of $5,029,367.

Critical Accounting Policies

Our financial statements are prepared in conformity with U.S. generally accepted accounting principles (GAAP). Disclosures regarding our Critical Accounting Policies are provided in Note 3 – Summary of Significant Accounting Policies of the footnotes to our condensed consolidated financial statements.

Off-Balance Sheet Arrangements

The Company did not engage in any “off-balance sheet arrangements” (as that term is defined in Item 303(a)(4)(ii) of Regulation S-K) as of June 30, 2020.

ITEM 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not required for smaller reporting companies.

ITEM 4: CONTROLS AND PROCEDURES

In connection with the preparation of this Quarterly Report, management, under the supervision and with the participation of the Company's Chief Executive Officer and Chief Accounting Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities and Exchange Act of 1934, as amended (the "Exchange Act"), as of the end of the period covered by this Quarterly Report. Disclosure controls and procedures are designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to management, including the Chief Executive Officer and the Chief Financial Officer, to allow timely decisions regarding required disclosures. Management concluded that, as of June 30, 2020, the Company's disclosure controls and procedure were not effective based on the criteria in *Internal Control – Integrated Framework* issued by the COSO, version 2013.

Management's Quarterly Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process, under the supervision of the Chief Executive Officer and the Chief Accounting Officer, designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external purposes in accordance with generally accepted accounting principles in the United States (GAAP). Internal control over financial reporting includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the Company's assets;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of management and the Board of Directors; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, 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 or procedures may deteriorate.

Management conducted an assessment of the effectiveness of our internal control over financial reporting as of June 30, 2020, based on criteria established in*Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013 ("COSO"). As a result of this assessment, management identified certain material weaknesses in internal control over financial reporting. A material weakness is a control deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. The identified material weaknesses are disclosed below:

- Due to the size of the Company and available resources, there are limited personnel to assist with the accounting and financial reporting function, which results in a lack of segregation of duties.
- The Company has experienced significant turnover in the role that oversees the day-to-day accounting and financial reporting functions, which increases the risk of a material misstatement in the financial statements.
- The Company lacks knowledge and expertise with accounting for stock -based compensation arrangements.

As a result of the material weakness in internal control over financial reporting described above, management concluded that, as of June 30, 2020 , our internal control over financial reporting was not effective based on the criteria in *Internal Control – Integrated Framework* issued by the COSO.

The Company is in the process of addressing and correcting these material weaknesses, including drafting, formalizing and implementing greater internal controls to assure proper financial reporting. As the Company retained but then lost its interim CFO in 2020, and its Principal Accounting Officer and new acting-CFO have not had the resources to implement proper controls, these weaknesses still exist. Management will be diligent in its efforts to continue to improve the reporting processes of the Company, including the addition of accounting resources and the continued development of proper accounting policies and procedures.

This quarterly report does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting. We were not required to have, nor have we, engaged our independent registered public accounting firm to perform an audit of internal control over financial reporting pursuant to the rules of the Securities and Exchange Commission that permit us to provide only management's report in this annual report.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting in connection with the evaluation required by Rule 13a-15(d) of the Exchange Act that occurred during the period covered by this Quarterly Report on Form 10-Q that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1: LEGAL PROCEEDINGS

We are not a party to any pending legal proceeding and, to the knowledge of our management, no federal, state or local governmental agency is presently contemplating any proceeding against us. No director, executive officer, affiliate of ours, or owner of record or beneficially of more than five percent of our common stock is a party adverse to the Company or has a material interest adverse to us in any proceeding.

ITEM 1A: RISK FACTORS

Not required for smaller reporting companies.

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

There were no unregistered securities by the Company in the second quarter of 2020 and up to the date of filing that were not previously reported in Form 10-Q or 8-K filings.

ITEM 3: DEFAULTS UPON SENIOR SECURITIES

The Company is in default under its Original Issue Discount Senior Secured Convertible Debentures in the total principal amount of $165,000. The Company is currently in negotiations with the holders to modify and extend the maturity date on those notes. As of June 30, 2020, approximately $2,801,908 of the original issuance principal amount of the Bridge Notes matured and is currently in default. Management is working on a plan to extend the term or convert into equity these and the other Bridge Notes.

ITEM 4: MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5: OTHER INFORMATION

(a) There was no information required to be disclosed in a report on Form 8-K during the period that the Company failed to report.

(b) None, not applicable.

ITEM 6: EXHIBITS

Exhibit Number	Description
31.1	302 Certification of Kevin M. Bolin, CEO
31.2	302 Certification of Kevin M. Bolin, Chief Accounting Officer
32	906 Certification

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Q2EARTH INC.

Date: 8/14/20	*By: /s/ Kevin M. Bolin* *Kevin M. Bolin* *Chief Executive Officer and Chairman*
Date: 8/14/20	*By: /s/ Kevin M. Bolin* *Kevin M. Bolin* *Chief Accounting Officer*

Exhibit 31.1

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002**

I, Kevin M. Bolin, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Q2Earth, Inc. for the period ending June 30, 2020;

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 quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls 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 subsidiary, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;

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 that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies and material weaknesses in the design or operation of internal controls 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 controls over financial reporting.

Date: August 14, 2020

By: */s/ Kevin M. Bolin*
Kevin M. Bolin
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002

I, Kevin M. Bolin, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Q2Earth, Inc. for the period ending June 30, 2020;

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 quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls 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 subsidiary, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;

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 that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies and material weaknesses in the design or operation of internal controls 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 controls over financial reporting.

Date: August 14, 2020

By: *(s/ Kevin M. Bolin*

Kevin M. Bolin
Chief Accounting Officer

Exhibit 32

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER 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 on Form 10-Q for Q2Earth, Inc., (the "Company") for the period ended June 30, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Kevin M. Bolin, Chief Executive Officer and Chief Accounting Officer of the Company certifies pursuant to 18 U.S.C. section 1350 of the Sarbanes-Oxley Act of 2002 that:

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

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

Date: August 14, 2020

By: */s/ Kevin M. Bolin*
Kevin M. Bolin
Chief Executive Officer
Chief Accounting Officer

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