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**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**Form 10-Q**

(Mark One)

|  |  |
| --- | --- |
| x | QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 |
|  |  |
|  | For the quarterly period ended **March 31, 2019** |
| or | |
|  | |
| ¨ | TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 |
|  |  |
|  | For the transition period from \_\_\_\_\_\_\_\_\_\_\_\_\_\_ to \_\_\_\_\_\_\_\_\_\_\_\_\_\_ |

|  |
| --- |
| Commission File Number **000-55403** |

|  |
| --- |
| **APPYEA, INC.** |
| (Exact name of registrant as specified in its charter) |

|  |  |  |
| --- | --- | --- |
| **South Dakota** |  | **46-1496846** |
| (State or other jurisdiction  of incorporation or organization) |  | (IRS Employer  Identification No.) |

|  |  |  |
| --- | --- | --- |
| **777 Main Street, Suite 600, Fort Worth, Texas** |  | **76102** |
| (Address of principal executive offices) |  | (Zip Code) |

**(817) 887-8142**

(Registrant’s telephone number, including area code)

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

(Former name, former address and former fiscal year, if changed since last report)

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

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

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

|  |  |  |  |
| --- | --- | --- | --- |
| Large accelerated filer | ¨ | Accelerated filer | ¨ |
| Non-accelerated filer | x | Smaller reporting company | x |
|  |  | Emerging growth company | ¨ |

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 or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) ¨ YES     x NO

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

4,001,486,092 common shares issued and outstanding as of May 13, 2019

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**FORM 10-Q**

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**PART I - FINANCIAL INFORMATION**

**Item 1. Financial Statements**

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**APPYEA, INC.**

**CONSOLIDATED BALANCE SHEETS**

**(Unaudited)**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **March 31,** | |  |  | **June 30,** | |  |
|  |  | **2019** | |  |  | **2018** | |  |
| **ASSETS** | | | | | | | | |
| Current Assets: |  |  | |  |  |  | |  |
| Cash and cash equivalents |  | $ | 86,335 |  |  | $ | 47,196 |  |
| Total Current Assets |  |  | 86,335 |  |  |  | 47,196 |  |
|  |  |  |  |  |  |  |  |  |
| Fixed assets, net of accumulated depreciation of $257,070 and $250,570 |  |  | 800 |  |  |  | 7,300 |  |
| **TOTAL ASSETS** |  | $ | 87,135 |  |  | $ | 54,496 |  |
|  |  |  |  |  |  |  |  |  |
| **LIABILITIES AND STOCKHOLDERS' DEFICIT** | | | | | | | | |
| Current Liabilities: |  |  |  |  |  |  |  |  |
| Accounts payable and accrued liabilities |  |  | 273,119 |  |  |  | 275,312 |  |
| Accrued salary |  |  | 291,300 |  |  |  | 224,000 |  |
| Convertible loans and accrued interest, net of unamortized discounts of $108,630 and $81,968, respectively |  |  | 283,973 |  |  |  | 290,823 |  |
| Convertible loans and accrued interest - related party |  |  | - |  |  |  | 8,977 |  |
| Due to related party |  |  | 82,749 |  |  |  | 88,087 |  |
| Derivative liability |  |  | 2,807,468 |  |  |  | 1,016,865 |  |
| Total Current Liabilities |  |  | 3,738,609 |  |  |  | 1,904,064 |  |
|  |  |  |  |  |  |  |  |  |
| Total Liabilities |  |  | 3,738,609 |  |  |  | 1,904,064 |  |
|  |  |  |  |  |  |  |  |  |
| Stockholders' Deficit: |  |  |  |  |  |  |  |  |
| Convertible preferred stock, $0.0001 par value, 60,000,000 shares authorized, 5,000,000 shares issued and outstanding at March 31, 2019 and June 30, 2018, respectively |  |  | 500 |  |  |  | 500 |  |
| Common stock, $0.0001 par value, 6,000,000,000 shares authorized, 3,813,044,892 and 1,240,477,060 shares issued and outstanding at March 31, 2019 and June 30, 2018, respectively |  |  | 381,304 |  |  |  | 124,047 |  |
| Additional paid-in capital |  |  | 5,394,439 |  |  |  | 4,740,277 |  |
| Stock payable |  |  | 47,727 |  |  |  | 62,727 |  |
| Accumulated deficit |  |  | (9,475,444 | ) |  |  | (6,777,119 | ) |
| Total Stockholders' Deficit |  |  | (3,651,474 | ) |  |  | (1,849,568 | ) |
| **TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT** |  | $ | 87,135 |  |  | $ | 54,496 |  |

See accompanying notes to the unaudited consolidated financial statements.

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**APPYEA, INC.**

**CONSOLIDATED STATEMENTS OF OPERATIONS**

**(Unaudited)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Three Months Ended** | | | | | |  |  | **Nine Months Ended** | | | | | |  |
|  |  | **March 31,** | | | | | |  |  | **March 31,** | | | | | |  |
|  |  | **2019** | |  |  | **2018** | |  |  | **2019** | |  |  | **2018** | |  |
|  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |
| Revenues |  | $ | 92 |  |  | $ | 158 |  |  | $ | 289 |  |  | $ | 1,202 |  |
| Revenues - related party |  |  | - |  |  |  | 11,641 |  |  |  | - |  |  |  | 11,641 |  |
| **Total Revenue** |  |  | 92 |  |  |  | 11,799 |  |  |  | 289 |  |  |  | 12,843 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Operating Expenses** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Professional fees |  |  | 7,979 |  |  |  | 103,567 |  |  |  | 36,150 |  |  |  | 333,371 |  |
| General and administrative |  |  | 30,101 |  |  |  | 26,301 |  |  |  | 84,770 |  |  |  | 161,397 |  |
| Depreciation |  |  | - |  |  |  | 6,500 |  |  |  | 6,500 |  |  |  | 25,244 |  |
| **Total Operating Expenses** |  |  | 38,080 |  |  |  | 136,368 |  |  |  | 127,420 |  |  |  | 520,012 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Loss from operations** |  |  | (37,988 | ) |  |  | (124,569 | ) |  |  | (127,131 | ) |  |  | (507,169 | ) |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Other Expense** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Change in fair value of derivative liabilities |  |  | (2,795,259 | ) |  |  | (159,104 | ) |  |  | (2,439,934 | ) |  |  | (509,092 | ) |
| Interest expense |  |  | (54,557 | ) |  |  | (112,940 | ) |  |  | (131,260 | ) |  |  | (324,496 | ) |
| Loss on investment in equity method investee |  |  | - |  |  |  | (476 | ) |  |  |  |  |  |  | (476 | ) |
| **Net Other Expense** |  |  | (2,849,816 | ) |  |  | (272,520 | ) |  |  | (2,571,194 | ) |  |  | (834,064 | ) |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Net Loss** |  | $ | (2,887,804 | ) |  | $ | (397,089 | ) |  | $ | (2,698,325 | ) |  | $ | (1,341,233 | ) |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Net Loss Per Common Share: Basic and Diluted** |  | $ | (0.00 | ) |  | $ | (0.00 | ) |  | $ | (0.00 | ) |  | $ | (0.00 | ) |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Weighted Average Number of Common Shares Outstanding: Basic and Diluted** |  |  | 2,584,304,736 |  |  |  | 1,133,230,709 |  |  |  | 1,712,269,347 |  |  |  | 913,338,132 |  |

See accompanying notes to the unaudited consolidated financial statements.

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**APPYEA, INC.**

**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT**

**For the Nine Months Ended March 31, 2019**

**(Unaudited)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Convertible** | | | | | |  |  |  | | | | | |  |  | **Additional** | |  |  |  | |  |  |  | |  |  |  | |  |
|  |  | **Preferred Stock** | | | | | |  |  | **Common stock** | | | | | |  |  | **paid-in** | |  |  | **Stock** | |  |  | **Accumulated** | |  |  |  | |  |
|  |  | **Shares** | |  |  | **Amount** | |  |  | **Shares** | |  |  | **Amount** | |  |  | **capital** | |  |  | **payable** | |  |  | **Deficit** | |  |  | **Total** | |  |
|  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |
| **Balance, June 30, 2018** |  |  | **5,000,000** |  |  | **$** | **500** |  |  |  | **1,240,477,060** |  |  | **$** | **124,047** |  |  | **$** | **4,740,277** |  |  | **$** | **62,727** |  |  | **$** | **(6,777,119** | **)** |  | **$** | **(1,849,568** | **)** |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Net loss for the period |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | (217,576 | ) |  |  | (217,576 | ) |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Balance, September 30, 2018** |  |  | **5,000,000** |  |  |  | **500** |  |  |  | **1,240,477,060** |  |  |  | **124,047** |  |  |  | **4,740,277** |  |  |  | **62,727** |  |  |  | **(6,994,695** | **)** |  |  | **(2,067,144** | **)** |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Common stock issued for conversion of debt and resolution of derivative liabilities |  |  | - |  |  |  | - |  |  |  | 382,664,200 |  |  |  | 38,266 |  |  |  | 85,728 |  |  |  | - |  |  |  | - |  |  |  | 123,994 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Net income for the period |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | 407,055 |  |  |  | 407,055 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Balance, December 31, 2018** |  |  | **5,000,000** |  |  |  | **500** |  |  |  | **1,623,141,260** |  |  |  | **162,313** |  |  |  | **4,826,005** |  |  |  | **62,727** |  |  |  | **(6,587,640** | **)** |  |  | **(1,536,095** | **)** |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Common stock issued in conjunction with convertible notes |  |  | - |  |  |  | - |  |  |  | 50,000,000 |  |  |  | 5,000 |  |  |  | 10,000 |  |  |  | - |  |  |  | - |  |  |  | 15,000 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Common stock issued exchanged for common stock payable |  |  | - |  |  |  | - |  |  |  | 30,000,000 |  |  |  | 3,000 |  |  |  | 12,000 |  |  |  | (15,000 | ) |  |  | - |  |  |  | - |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Common stock issued for conversion of debt and resolution of derivative liabilities |  |  | - |  |  |  | - |  |  |  | 2,109,903,632 |  |  |  | 210,991 |  |  |  | 546,434 |  |  |  | - |  |  |  | - |  |  |  | 757,425 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Net loss for the period |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | (2,887,804 | ) |  |  | (2,887,804 | ) |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Balance, March 31, 2019** |  |  | **5,000,000** |  |  | **$** | **500** |  |  |  | **3,813,044,892** |  |  | **$** | **381,304** |  |  | **$** | **5,394,439** |  |  | **$** | **47,727** |  |  | **$** | **(9,475,444** | **)** |  | **$** | **(3,651,474** | **)** |

See accompanying notes to the unaudited consolidated financial statements.

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**APPYEA, INC.**

**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT**

**For the Nine Months Ended March 31, 2018**

**(Unaudited)**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Convertible** | | | | | |  |  |  | | | | | |  |  | **Additional** | |  |  |  | |  |  |  | |  |  |  | |  |
|  |  | **Preferred Stock** | | | | | |  |  | **Common stock** | | | | | |  |  | **paid-in** | |  |  | **Stock** | |  |  | **Accumulated** | |  |  |  | |  |
|  |  | **Shares** | |  |  | **Amount** | |  |  | **Shares** | |  |  | **Amount** | |  |  | **capital** | |  |  | **payable** | |  |  | **Deficit** | |  |  | **Total** | |  |
|  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |  |  | |  |
| **Balance, June 30, 2017** |  |  | **5,000,000** |  |  | **$** | **500** |  |  |  | **519,973,313** |  |  | **$** | **51,997** |  |  | **$** | **4,210,156** |  |  | **$** | **105,000** |  |  | **$** | **(4,782,863** | **)** |  | **$** | **(415,210** | **)** |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Common stock issued exchanged for common stock payable |  |  | - |  |  |  | - |  |  |  | 30,000,000 |  |  |  | 3,000 |  |  |  | 54,473 |  |  |  | (57,273 | ) |  |  | - |  |  |  | 200 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Common stock issued for conversion of debt and resolution of derivative liabilities |  |  | - |  |  |  | - |  |  |  | 175,131,324 |  |  |  | 17,513 |  |  |  | 188,941 |  |  |  | - |  |  |  | - |  |  |  | 206,454 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Net loss for the period |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | (406,633 | ) |  |  | (406,633 | ) |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Balance, September 30, 2017** |  |  | **5,000,000** |  |  |  | **500** |  |  |  | **725,104,637** |  |  |  | **72,510** |  |  |  | **4,453,570** |  |  |  | **47,727** |  |  |  | **(5,189,496** | **)** |  |  | **(615,189** | **)** |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Common stock issued for services |  |  | - |  |  |  | - |  |  |  | 105,000,000 |  |  |  | 10,500 |  |  |  | 74,000 |  |  |  | 15,000 |  |  |  | - |  |  |  | 99,500 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Common stock issued for conversion of debt and resolution of derivative liabilities |  |  | - |  |  |  | - |  |  |  | 262,245,151 |  |  |  | 26,225 |  |  |  | 170,963 |  |  |  | - |  |  |  | - |  |  |  | 197,188 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Net loss for the period |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | (537,511 | ) |  |  | (537,511 | ) |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Balance, December 31, 2017** |  |  | **5,000,000** |  |  |  | **500** |  |  |  | **1,092,349,788** |  |  |  | **109,235** |  |  |  | **4,698,533** |  |  |  | **62,727** |  |  |  | **(5,727,007** | **)** |  |  | **(856,012** | **)** |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Common stock issued for conversion of debt and resolution of derivative liabilities |  |  | - |  |  |  | - |  |  |  | 76,063,636 |  |  |  | 7,606 |  |  |  | 26,506 |  |  |  | - |  |  |  | - |  |  |  | 34,112 |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Net loss for the period |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | - |  |  |  | (397,089 | ) |  |  | (397,089 | ) |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Balance, March 31, 2018** |  |  | **5,000,000** |  |  | **$** | **500** |  |  |  | **1,168,413,424** |  |  | **$** | **116,841** |  |  | **$** | **4,725,039** |  |  | **$** | **62,727** |  |  | **$** | **(6,124,096** | **)** |  | **$** | **(1,218,989** | **)** |

See accompanying notes to the unaudited consolidated financial statements.

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**APPYEA, INC.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**(Unaudited)**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Nine Months Ended** | | | | | |  |
|  |  | **March 31,** | | | | | |  |
|  |  | **2019** | |  |  | **2018** | |  |
| **CASH FLOWS FROM OPERATING ACTIVITIES** |  |  | |  |  |  | |  |
| Net loss |  | $ | (2,698,325 | ) |  | $ | (1,341,233 | ) |
| Adjustments to reconcile net loss to net cash used in operating activities: |  |  |  |  |  |  |  |  |
| Depreciation expense |  |  | 6,500 |  |  |  | 25,244 |  |
| Common stock issued for services |  |  | - |  |  |  | 99,500 |  |
| Amortization of debt discounts |  |  | 78,338 |  |  |  | 273,744 |  |
| Loss on investment in equity method investee |  |  | - |  |  |  | 476 |  |
| Change in fair value of derivative liabilities |  |  | 2,439,934 |  |  |  | 509,092 |  |
| Changes in operating assets and liabilities: |  |  |  |  |  |  |  |  |
| Accounts receivable |  |  | - |  |  |  | (11,641 | ) |
| Accounts payable and accrued liabilities |  |  | (2,193 | ) |  |  | 192,078 |  |
| Accrued salary |  |  | 67,300 |  |  |  | 72,000 |  |
| Accrued interest |  |  | 52,923 |  |  |  | 50,752 |  |
| Net Cash Used in Operating Activities |  |  | (55,523 | ) |  |  | (129,988 | ) |
|  |  |  |  |  |  |  |  |  |
| **CASH FLOWS FROM INVESTING ACTIVITIES** |  |  |  |  |  |  |  |  |
| Investment in equity method investee |  |  | - |  |  |  | (25,000 | ) |
| Net cash used in Investing Activities |  |  | - |  |  |  | (25,000 | ) |
|  |  |  |  |  |  |  |  |  |
| **CASH FLOWS FROM FINANCING ACTIVITIES** |  |  |  |  |  |  |  |  |
| Issuance of common stock for cash and common stock payable |  |  | - |  |  |  | 200 |  |
| Proceeds from convertible notes payable, net of original issue discounts |  |  | 100,000 |  |  |  | 91,667 |  |
| Proceeds from convertible notes payable - related party, net of original issue discounts |  |  | - |  |  |  | 8,333 |  |
| Proceeds from loan to related party |  |  | 4,256 |  |  |  | 20,050 |  |
| Repayments of loan to related party |  |  | (9,594 | ) |  |  | (6,571 | ) |
| Net cash provided by Financing Activities |  |  | 94,662 |  |  |  | 113,679 |  |
|  |  |  |  |  |  |  |  |  |
| Net change in cash for period |  |  | 39,139 |  |  |  | (41,309 | ) |
| Cash at beginning of period |  |  | 47,196 |  |  |  | 42,567 |  |
| Cash at end of period |  | $ | 86,335 |  |  | $ | 1,258 |  |
|  |  |  |  |  |  |  |  |  |
| **SUPPLEMENTAL CASH FLOW INFORMATION:** |  |  |  |  |  |  |  |  |
| Cash paid for income taxes |  | $ | - |  |  | $ | - |  |
| Cash paid for interest |  | $ | - |  |  | $ | - |  |
|  |  |  |  |  |  |  |  |  |
| **NON CASH INVESTING AND FINANCING ACTIVITIES** |  |  |  |  |  |  |  |  |
| Common stock issued in conjunction with convertible notes |  | $ | 15,000 |  |  | $ | - |  |
| Issuance of common stock for conversion of debt and accrued interest |  | $ | 147,088 |  |  | $ | 156,331 |  |
| Resolution of derivative liability upon conversion of debt |  | $ | 734,331 |  |  | $ | 281,424 |  |
| Derivative liability recognized as debt discount |  | $ | 100,000 |  |  | $ | 235,000 |  |

See accompanying notes to the unaudited consolidated financial statements.

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**APPYEA, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**March 31, 2019**

**(Unaudited)**

**1. NATURE OF OPERATIONS**

AppYea, Inc. ("AppYea", "the Company", "we" or "us") was incorporated in the State of South Dakota on November 26, 2012 to engage in the acquisition, purchase, maintenance and creation of mobile software applications. The Company is in the development stage with no significant revenues and a limited operating history.

The Company incorporated a wholly-owned subsidiary, “AppYea Holdings, Inc.” in state of South Dakota on January 13, 2017 and "The Diagnostic Centers Inc." in State of South Dakota on August 2, 2017.

Through its wholly owned subsidiary, The Diagnostic Centers, Inc., AppYea markets comprehensive diagnostic testing services to physician offices, clinics, hospitals, long term care facilities, healthcare groups, and other healthcare providers.

During the quarter ended March 31, 2019 the Company entered into a management and advisory agreement with Hempori, Inc. to assist the Company in identifying and managing the Company’s overall business strategy and opportunities to enter the hemp based Cannabidiol (CBD) industry. Additionally, the Company entered into an exclusive CBD infused beverage licensing agreement with the Prouty Company to market flavored and non-flavored beverages in various formulas infused with CBD to achieve the following “mood enhancing” affects: Energy, Calm, Focus, and Sleep.

The Company's common stock is traded on the OTC Markets (www.otcmarkets.com) under the symbol "APYP". The first day of trading on the OTC Markets was December 15, 2014.

**2. SIGNIFICANT ACCOUNTING POLICIES**

The accompanying unaudited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial statements and with the instructions to Form 10-Q and Regulation S-X of the United States Securities and Exchange Commission (“SEC”). Accordingly, they do not contain all information and footnotes required by accounting principles generally accepted in the United States of America for annual financial statements.

In the opinion of the company’s management, the accompanying unaudited interim financial statements contain all the adjustments necessary (consisting only of normal recurring accruals) to present the financial position of the company as of March 31, 2019 and the results of operations and cash flows for the periods presented. The results of operations for the nine months ended March 31, 2019 are not necessarily indicative of the operating results for the full fiscal year or any future period. These unaudited financial statements should be read in conjunction with the financial statements and related notes thereto included in the company’s Annual Report on Form 10-K for the year ended June 30, 2018 filed with the SEC on October 15, 2018.

**Use of Estimates**

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include assumptions about the valuation and recognition of stock-based compensation expense, the valuation and recognition of derivative liability, valuation allowance for deferred tax assets and useful life of fixed assets.

**Principles of Consolidation**

The consolidated financial statements include the accounts of AppYea and its subsidiaries. Intercompany transactions and balances have been eliminated.

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**Fair Value of Financial Instruments**

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

The following table summarizes fair value measurements by level at March 31, 2019 and June 30, 2018, measured at fair value on a recurring basis:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **March 31, 2019** |  | **Level 1** | |  |  | **Level 2** | |  |  | **Level 3** | |  |  | **Total** | |  |
| **Assets** |  |  | |  |  |  | |  |  |  | |  |  |  | |  |
| None |  | $ | - |  |  | $ | - |  |  | $ | - |  |  | $ | - |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Liabilities** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Derivative liabilities |  | $ | - |  |  | $ | - |  |  | $ | 2,807,468 |  |  | $ | 2,807,468 |  |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **June 30, 2018** |  | **Level 1** | |  |  | **Level 2** | |  |  | **Level 3** | |  |  | **Total** | |  |
| **Assets** |  |  | |  |  |  | |  |  |  | |  |  |  | |  |
| None |  | $ | - |  |  | $ | - |  |  | $ | - |  |  | $ | - |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Liabilities** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Derivative liabilities |  | $ | - |  |  | $ | - |  |  | $ | 1,016,865 |  |  | $ | 1,016,865 |  |

**3. GOING CONCERN AND LIQUIDITY**

At March 31, 2019, the Company had cash of $86,335 and current liabilities of $3,738,609 and a working capital deficit of $3,652,274. The Company has generated net losses from operations since inception. The Company anticipates future losses in its business. These factors raise substantial doubt about the Company’s ability to continue as a going concern.

The Company’s ability to continue as a going concern is dependent upon the Company generating profitable operations in the future and/or obtaining the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. There is no assurance that this series of events will be satisfactorily completed.

**4. FIXED ASSETS**

As at March 31, 2019 and June 30, 2018, the balance of fixed assets represented a vehicle and mobile application software as follows:

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **March 31,** | |  |  | **June 30,** | |  |
|  |  | **2019** | |  |  | **2018** | |  |
| Mobile applications |  | $ | 257,870 |  |  | $ | 257,870 |  |
| Accumulated depreciation |  |  | (257,070 | ) |  |  | (250,570 | ) |
| Fixed assets, net |  | $ | 800 |  |  | $ | 7,300 |  |

Depreciation expense for the nine months ended March 31, 2019 and 2018 was $6,500 and $25,244, respectively.

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**5. CONVERTIBLE LOANS**

At March 31, 2019 and June 30, 2018, convertible loans consisted of the following:

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **March 31,** | |  |  | **June 30,** | |  |
|  |  | **2019** | |  |  | **2018** | |  |
| March 2015 Note |  | $ | - |  |  | $ | - |  |
| November 2016 Note -1 |  |  | 150,000 |  |  |  | 150,000 |  |
| Convertible notes - Issued in fiscal year 2018 |  |  | 111,642 |  |  |  | 195,614 |  |
| Convertible notes - Issued in fiscal year 2019 |  |  | 105,000 |  |  |  | - |  |
| Total convertible notes payable |  |  | 366,642 |  |  |  | 345,614 |  |
|  |  |  |  |  |  |  |  |  |
| Accrued interest |  |  | 25,961 |  |  |  | 27,177 |  |
| Less: Unamortized debt discount |  |  | (108,630 | ) |  |  | (81,968 | ) |
| Total convertible notes |  |  | 283,973 |  |  |  | 290,823 |  |
|  |  |  |  |  |  |  |  |  |
| Less: current portion of convertible notes |  |  | 283,973 |  |  |  | 290,823 |  |
| Long-term convertible notes |  | $ | - |  |  | $ | - |  |

During the nine months ended March 31, 2019 and 2018, the Company recognized amortization of discount, included in interest expense, of $78,338 and $266,157, respectively.

*Conversion*

During the nine months ended March 31, 2019, the Company converted notes with principal amounts and accrued interest of $136,930 into 2,390,969,927 shares of common stock. The corresponding derivative liability at the date of conversion of $703,852 was settled through additional paid in capital.

**March 2015 Note**

As of March 31, 2019, and June 30, 2018, the outstanding principal balance of the note was $0, the note had accrued interest of $454.

**November 2016 Note 1**

On November 15, 2016, the Company entered into four separate agreements with Greentree Financial Group, Inc., consisting of a Financial Advisory Agreement, a Loan Agreement, a Convertible Promissory Note, and a Warrant.

The Loan Agreement allows for the Company to borrow up to $250,000 from Greentree, which will be evidenced by various promissory notes, which will automatically mature 12 months from the date of applicable Note, will accrue interest at a rate of 12% per annum, and will include an original issuance discount (“OID”) of 10%. In addition, the promissory notes will be convertible at a price equal to 55% of the lowest trading price during the 10 trading days immediately prior to a conversion date. The conversion price shall not be lower than $0.0001. Note may not be converted prior to 6 months from its issuance. There is a 10% prepayment penalty associated with each of the promissory notes. Each promissory note conversion shall result in $1,500 being added to the principal of each promissory note converted. An initial promissory note of $100,000 was issued on November 15, 2016.

The warrant issued to Greentree allows for the purchase of up to 5,000,000 shares of the Company’s common stock for a three year period, expiring on November 15, 2019, with an exercise price of $0.03 per share. The warrants also contain a cashless exercise feature, based on a cashless exercise formula.

The Company determined that the exercise feature of the warrants met the definition of a liability in accordance with ASC Topic No. 815 - 40, Derivatives and Hedging - Contracts in Entity’s Own Stock. The Company will bifurcate the embedded conversion option in the note once the note becomes convertible and account for it as a derivative liability. The fair value of the warrants was recorded as a debt discount being amortized to interest expense over the term of the note.

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On January 26, 2017 and June 30, 2017, the Company issued convertible notes of $75,000 and $75,000, respectively, according to the loan agreement on November 15, 2016.

*Promissory Notes - Issued in fiscal year 2018*

During the year ended June 30, 2018, the Company issued a total of $180,614 of notes with the following terms:

|  |  |  |
| --- | --- | --- |
|  | · | Terms ranging from 6 months to 12 months. |
|  | · | Annual interest rates of 5% - 12%. |
|  | · | Convertible at the option of the holders at issuance. |
|  | · | Conversion prices are typically based on the discounted (35% to 45% discount) average closing prices or lowest trading prices of the Company’s shares during various periods prior to conversion. Certain notes allow for the conversion price to be a floor of $0.0002 per share. |
|  | · | Certain note allows the principal amount will increase by $15,000 and the discount rate of conversion price will decrease by 15% if the conversion price is less than $$0.01. As a result, the discount rate of conversion price changed from 45% to 60% and the Company recognized the penalty of $15,000 and recorded principal amount of $15,000. |

Certain notes allow the Company to redeem the notes at rates ranging from 115% to 150% depending on the redemption date provided that no redemption is allowed after the 180th day. Likewise, the note includes original issue discounts and financing costs totaling to $38,447 and the Company received cash of $142,167. Certain convertible notes of $54,693 are currently in default.

On June 25, 2018, the Company entered into and closed a financing transaction with Bellridge Capital L.P. consisting of a Securities Purchase Agreement, a Secured Convertible Promissory Note, and a Warrant.

The Securities Purchase Agreement provides that Bellridge Capital L.P. would receive a Secured Convertible Promissory Note in an amount of $78,947 in exchange for a funding amount of $78,947, and as additional consideration would also receive a Warrant for the purchase of an additional 394,735,000 shares of common stock. The Convertible Promissory Note will accrue interest at a rate of 5% per annum, default interest at a rate of 24% per annum, and will be convertible at a price equal to the lesser of (i) $0.0002, and (ii) the variable conversion price, which is defined as 65% of the lowest daily VWAP in the twenty (20) Trading Days prior to the Conversion Date . The “market price” is defined as the lowest trading price for the common stock during the twenty-five trading day period ending on the last complete trading day prior to the conversion date. The “trading price” is defined as the lowest trade price on the OTC Pink, OTCQB or applicable trading market. Bellridge Capital L.P. shall not be able to convert the promissory notes in an amount that would result in the beneficial ownership of greater than 4.99% of the outstanding shares of the Company, with the exception that the limitation may be waived by Bellridge Capital L.P. with 61 days prior notice. If, at any time when the note is issued and outstanding, the Company sells or issues shares of common stock for no consideration or for a consideration price per share less than the conversion price in effect on the date of such issuance, the conversion price for the note would be reduced to the amount of the consideration per share received by the Company for such dilutive issuance. If the Company prepays the note on or before 90 days following the date of the note, the Company shall be required to pay 115%, multiplied by the sum of the outstanding principal of the note, plus all accrued and unpaid interest and default interest if any. If the Company prepays the note during the period beginning 91 days and ending 180 days from the issue date of the note, the Company shall be required to pay 120% multiplied by the sum of the then outstanding principal amount of the note, plus accrued and unpaid interest and default interest, if any. If the Company prepays the note during the period beginning after 180 days from the issue date of the note, the Company shall be required to pay 125% multiplied by the sum of the then outstanding principal amount of the note, plus accrued and unpaid interest and default interest, if any.

The warrant issued to Bellridge Capital L.P. allows for the purchase of up to 394,735,000 shares of the Company’s common stock for a three-year period with an exercise price of $0.0002 per share. The warrants also contain a cashless exercise feature, based on a cashless exercise formula. In connection with the Secured Promissory Note, the Company entered into a Security Agreement which grants the Debtor a security interest in all of the assets of the Company. On March 15, 2019, the Company agreed to amend the exercise price of warrants to $0.0001.

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*Promissory Notes - Issued in fiscal year 2019*

During the nine months ended March 31, 2019, the Company issued a total of $105,000 of notes with the following terms:

|  |  |  |
| --- | --- | --- |
|  | · | Terms ranging from 3 months to 12 months. |
|  | · | Annual interest rates of 5% - 8%. |
|  | · | Convertible at the option of the holders at issuance. |
|  | · | Conversion prices are typically based on the discounted (45% discount) average closing prices or lowest trading prices of the Company’s shares during various periods prior to conversion. Certain notes allow for the conversion price to be a floor of $0.0002 per share. |
|  | · | The note of $80,000 is the tranche of Note issued on June 25, 2018. |

Certain notes allow the Company to redeem the notes at rates ranging from 115% to 125% depending on the redemption date provided that no redemption is allowed after the 180th day. Likewise, the note includes original issue discounts and financing costs totaling to $5,000 and the Company received cash of $100,000. Certain convertible note was also provided with a total of 50,000,000 common shares.

*Derivative liabilities*

The Company determined that the exercise feature of the warrants met the definition of a liability in accordance with ASC Topic No. 815 - 40, Derivatives and Hedging - Contracts in Entity’s Own Stock. The Company will bifurcate the embedded conversion option in the note once the note becomes convertible and account for it as a derivative liability. The fair value of the warrants was recorded as a debt discount being amortized to interest expense over the term of the note.

The Company valued the conversion features using the Black Scholes valuation model. The fair value of the derivative liability for all the note and warrants that became convertible for the year ended June 30, 2018 amounted to $965,401. $277,167 of the value assigned to the derivative liability was recognized as a debt discount to the notes while the balance of $688,234 was recognized as a “day 1” derivative loss.

The fair value of the derivative liability for all the note that became convertible for the nine months ended March 31, 2019 amounted to $387,038. $85,000 of the value assigned to the derivative liability was recognized as a debt discount to the notes while the balance of $302,038 was recognized as a “day 1” derivative loss.

*Warrants*

A summary of activity during the nine months ended March 31, 2019 follows:

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Warrants Outstanding** | | | | | |  |
|  |  | **Shares** | |  |  | **Weighted Average**  **Exercise Price** | |  |
| Outstanding, June 30, 2018 |  |  | 592,916,818 |  |  | $ | 0.0004 |  |
| Granted |  |  | - |  |  |  | - |  |
| Reset feature |  |  | - |  |  |  | - |  |
| Exercised |  |  | - |  |  |  | - |  |
| Forfeited/canceled |  |  | - |  |  |  | - |  |
| Outstanding, March 31, 2019 |  |  | 592,916,818 |  |  | $ | 0.0004 |  |

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The following table summarizes information relating to outstanding and exercisable warrants as of March 31, 2019:

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Warrants Outstanding** | | | | | | | | | |  |  | **Warrants Exercisable** | | | | | |  |
| **Number of** | |  |  | **Weighted Average Remaining** | |  |  | **Weighted Average** | |  |  | **Number of** | |  |  | **Weighted Average** | |  |
| **Shares** | |  |  | **Contractual life (in years)** | |  |  | **Exercise Price** | |  |  | **Shares** | |  |  | **Exercise Price** | |  |
|  | 5,000,000 |  |  |  | 0.63 |  |  | $ | 0.03 |  |  |  | 5,000,000 |  |  | $ | 0.03 |  |
|  | 193,181,818 |  |  |  | 3.54 |  |  | $ | 0.0001 |  |  |  | 193,181,818 |  |  | $ | 0.0001 |  |
|  | 394,735,000 |  |  |  | 2.24 |  |  | $ | 0.0001 |  |  |  | 394,735,000 |  |  | $ | 0.0001 |  |
|  | 592,916,818 |  |  |  | 2.65 |  |  | $ | 0.0004 |  |  |  | 592,916,818 |  |  | $ | 0.0004 |  |

**6. CONVERTIBLE LOANS – RELATED PARTY**

At March 31, 2019 and June 30, 2018, convertible loan – related party consisted of the following:

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **March 31,** | |  |  | **June 30,** | |  |
|  |  | **2019** | |  |  | **2018** | |  |
| Convertible notes - related party -Issued in fiscal year 2018 |  |  | - |  |  |  | 8,333 |  |
| Total convertible notes payable |  |  | - |  |  |  | 8,333 |  |
|  |  |  |  |  |  |  |  |  |
| Accrued interest -related party |  |  | - |  |  |  | 644 |  |
| Less: Unamortized debt discount - related party |  |  | - |  |  |  | - |  |
| Total convertible notes |  |  | - |  |  |  | 8,977 |  |
|  |  |  |  |  |  |  |  |  |
| Less: current portion of convertible notes - related party |  |  | - |  |  |  | 8,977 |  |
| Long-term convertible notes |  | $ | - |  |  | $ | - |  |

During the nine months ended March 31, 2019 and 2018, the Company recognized amortization of discount, included in interest expense, of $0 and $7,587, respectively.

*Conversion*

During the nine months ended March 31, 2019, the Company converted notes with principal amounts and accrued interest of $10,158 into 101,597,905 shares of common stock. The corresponding derivative liability at the date of conversion of $30,479 was settled through additional paid in capital.

*Promissory Notes - Issued in fiscal year 2018*

During the year ended June 30, 2018, the Company issued a total of $8,333 note with the following terms:

|  |  |  |
| --- | --- | --- |
|  | · | Terms of 6 months. |
|  | · | Annual interest rates of 8%. |
|  | · | Convertible at the option of the holders at issuance. |
|  | · | Conversion prices are typically based on the discounted (45% discount) average closing prices of the Company’s shares during 20 days prior to conversion. |

The Company received cash of $8,333.

The Company determined that the conversion feature met the definition of a liability in accordance with ASC Topic No. 815 - 40, Derivatives and Hedging - Contracts in Entity's Own Stock and therefore bifurcated the embedded conversion option once the note becomes convertible and accounted for it as a derivative liability. The fair value of the conversion feature was recorded as a debt discount and amortized to interest expense over the term of the note.

The Company valued the conversion feature using the Black Scholes valuation model. The fair value of the derivative liability for all the notes that became convertible, including the notes issued in prior years, during the year ended June 30, 2018 amounted to $9,371. $8,333 of the value assigned to the derivative liability was recognized as a debt discount to the notes while the balance of $1,038 was recognized as a “day 1” derivative loss.

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**7. DERIVATIVE LIABILITIES**

The Company analyzed the conversion option for derivative accounting consideration under ASC 815, Derivatives and Hedging, and hedging, and determined that the instrument should be classified as a liability since the conversion option becomes effective at issuance resulting in there being no explicit limit to the number of shares to be delivered upon settlement of the above conversion options.

Fair Value Assumptions Used in Accounting for Derivative Liabilities.

ASC 815 requires we assess the fair market value of derivative liability at the end of each reporting period and recognize any change in the fair market value as other income or expense item.

The Company determined our derivative liabilities to be a Level 3 fair value measurement and used the Black-Scholes pricing model to calculate the fair value as of March 31, 2019. The Black-Scholes model requires six basic data inputs: the exercise or strike price, time to expiration, the risk free interest rate, the current stock price, the estimated volatility of the stock price in the future, and the dividend rate. Changes to these inputs could produce a significantly higher or lower fair value measurement. The fair value of each convertible note is estimated using the Black-Scholes valuation model.

At March 31, 2019, the estimated fair values of the liabilities measured on a recurring basis are as follows:

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Nine Months Ended** | |  |  | **Year Ended** | |  |
|  |  | **March 31,** | |  |  | **June 30,** | |  |
|  |  | **2019** | |  |  | **2018** | |  |
| Expected term |  | 0.24 - 4.04 years | |  |  | 0.04 - 5.00 years | |  |
| Expected average volatility |  | 270% - 683% | |  |  | 147%-488% | |  |
| Expected dividend yield |  |  | - |  |  |  | - |  |
| Risk-free interest rate |  | 2.21% - 2.94% | |  |  | 0.96%-2.73% | |  |

The following table summarizes the changes in the derivative liabilities during the nine months ended March 31, 2019:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Fair Value Measurements Using Significant Observable Inputs (Level 3) | | | |  |
|  |  |  | |  |
| Balance - June 30, 2018 |  | $ | 1,016,865 |  |
|  |  |  |  |  |
| Addition of new derivatives recognized as debt discounts |  |  | 85,000 |  |
| Addition of new derivatives recognized as loss on derivatives |  |  | 302,038 |  |
| Settled due to conversion of debt |  |  | (734,331 | ) |
| Loss on change in fair value of the derivative |  |  | 2,137,896 |  |
| Balance - March 31, 2019 |  | $ | 2,807,468 |  |

The aggregate loss on derivatives during the nine months ended March 31, 2019 and 2018 was $2,439,934 and $509,092, respectively.

**8. COMMITMENTS AND CONTINGENCIES**

*Leases and Long term Contracts*

The Company has not entered into any long-term leases, contracts or commitments.

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*Agreements*

In December 2016, the Company entered into a contract agreement with M Endeavors, LLC for marketing the services to Doctors office, clinic and hospitals for the term of 5 years. The Agreements shall automatically renew for successive 12-month periods unless otherwise terminated in accordance with the terms of this Agreement. The Company was required to pay a monthly fee of $8,000 and expenses related to this contract. The Company mutually agreed to terminate this agreement. As of March 31, 2019 and June 30, 2018, the Company recorded accrued expenses of $75,000 and $75,000, respectively.

In December 2016, the Company entered into a contract agreement with Big Dreams ventures, LLC for marketing the services to Doctors office, clinic and hospitals for the term of 5 years. The Agreement shall automatically renew for successive 12-month periods unless otherwise terminated in accordance with the terms of this Agreement. The Company was required to pay a monthly fee of $10,000 and expenses related to this contract. The Company mutually agreed to terminate this agreement. As of March 31, 2019 and June 30, 2018, the Company recorded accrued expenses of $105,250 and $105,250, respectively.

On October 2, 2017, the Company entered into an agreement with Pacific Pain & Regenerative Medicine. The Company was required to pay $3,000 per month for a collector in exchange for a minimum of 5 PGX tests per week or 20 per month. During the year ended June 30, 2018, the Company terminated the services and stopped making the monthly payments. As of March 31, 2019 and June 30, 2018, the Company recorded accrued expense of $21,000 and $21,000, respectively.

On October 17, 2017, the Company entered into an agreement of the acquisition financing of up to $30,000,000 (“the “Placement’) with Wellington Shields $ Co. The Company shall pay (i) a success fee equal to 8% of the gross proceeds of the Placement, (ii) 3% of the total Company’s shares outstanding at the time of closing the placement, and (iii) was required to pay $15,000 at the time of signing and $10,000 per month. This engagement agreement terminated at the close of business April 30, 2018. As of March 31, 2019 and June 30, 2018, the Company recorded accrued expense of $60,000 and $60,000, respectively.

*Rent*

As of January 30, 2013, the Company leases office space at $200 per month with three-month terms, which shall be automatically extended for successive three-month periods unless there is the notice to cancel. The lease can be cancelled at any time by either party with 30 days’ notice prior to expiration of an applicable term. For the nine months ended March 31, 2019 and 2018, the Company incurred $1,869 and $1,863, respectively.

**9. SHAREHOLDERS' EQUITY**

*Series A Preferred Stock*

The Company is authorized to issue 60,000,000 shares of Series A Preferred Stock at a par value of $0.0001.

Each Series A preferred share is convertible into 1,500 shares of common stock and has the voting rights of 1,000 shares of common stock.

As at March 31, 2019 and June 30, 2018, 5,000,000 shares of the Company's Series A Preferred Stock were issued and outstanding.

*Common Stock*

During the nine months ended March 31, 2019, the Company issued 2,572,567,832 shares of common stock as follows;

|  |  |  |
| --- | --- | --- |
|  | · | 2,492,567,832 shares for conversion of debt and accrued interest of $881,419 |
|  | · | 50,000,000 shares in conjunction with convertible note for $15,000 |
|  | · | 30,000,000 shares exchange for common stock payable |

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As at March 31, 2019 and June 30, 2018, 3,813,044,892 and 1,240,477,060 shares of the Company's common stock were issued and outstanding.

*Stock payable*

The Company had insufficient authorized shares as of June 30, 2017 and as a result, the Company had $105,000 in stock payable for which it is obligated to issue 55,000,000 shares of common stock for consulting services. During the year ended June 30, 2018 the company issued 30,000,000 common shares for cash of $200 and reduced common stock payable by $57,273.

As of March 31, 2019, the Company had $47,727 in stock payable for which it is obligated to issue 25,000,000 shares of common stock for consulting services.

On November 13, 2017, the Company entered into a consulting agreement with a third party for the term of 5 years with a consideration of an issuance of 40,000,000 shares of common stock valued at $20,000. The share shall be issued in two tranches with first tranche of 10,000,000 shares being due at signing of this agreement and an additional 30,000,000 shares are due on the 3 months anniversary of this agreement. During the year ended June 30, 2018, the Company issued 10,000,000 shares with a fair value of $5,000. On February 16, 2019, the Company issued 30,000,000 shares.

**10. RELATED PARTY TRANSACTIONS**

In March 2016, the Company appointed current CEO and approved a base compensation package of $8,000 per month for CEO. During the nine months ended March 31, 2019 and 2018, the Company paid $4,700 and $0, respectively. As of March 31, 2019, and June 30, 2018, the Company recorded accrued salary of $291,300 and $224,000, respectively.

During the nine months ended March 31, 2019 and 2018, the Company borrowed a total amount of $4,256 and $20,050 from Evergreen Venture Partners LLC (“EVP”), which the CEO is the majority owner, and repaid $9,594 and $6,571, respectively. This loan is a non-interest bearing and due on demand. As of March 31, 2019, and June 30, 2018, the Company owed EVP, a related party $82,749 and $88,087, respectively.

**11. SUBSEQUENT EVENTS**

Subsequent to March 31, 2019, the Company issued a total of 183,691,200 shares of its restricted common stock for conversion of debt and accrued interest of $14,695.

Subsequent to March 31, 2019, the Company issued 4,750,000 of its restricted preferred stock to its CEO in exchange for $285,000 of accrued compensation.

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**Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations**

FORWARD LOOKING STATEMENTS

This quarterly report contains forward-looking statements. These statements relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as “may”, “should”, “expects”, “plans”, “anticipates”, “believes”, “estimates”, “predicts”, “potential” or “continue” or the negative of these terms or other comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors that may cause our or our industry’s actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Except as required by applicable law, including the securities laws of the United States, we do not intend to update any of the forward-looking statements to conform these statements to actual results.

Our unaudited financial statements are stated in United States Dollars (US$) and are prepared in accordance with United States Generally Accepted Accounting Principles. The following discussion should be read in conjunction with our financial statements and the related notes that appear elsewhere in this quarterly report. The following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed below and elsewhere in this quarterly report.

In this quarterly report, unless otherwise specified, all dollar amounts are expressed in United States dollars and all references to “common shares” refer to the common shares in our capital stock.

As used in this quarterly report and unless otherwise indicated, the terms “we”, “us”, “our” and "AppYea" mean AppYea, Inc., and our wholly owned subsidiaries, AppYea Holdings, Inc., a South Dakota corporation and The Diagnostic Centers, Inc., a South Dakota corporation unless otherwise indicated.

**General Overview**

We were incorporated in the State of South Dakota on November 26, 2012.

We are an early stage company that was initially only engaged in the acquisition, purchase, and maintenance of mobile software applications (“apps”). Although we are still active in the mobile applications industry, we began investigating healthcare markets to augment the apps business in early 2017 and subsequently formed a wholly owned subsidiary The Diagnostic Centers, Inc. to focus on marketing certain products and services to healthcare providers. Our focus is now on healthy and innovative CBD products, software development and lab services. We are currently in the process of developing Hemp derived products, branding, sourcing and distribution agreements for our products. During the quarter ended March 31, 2019 the Company entered into a management and advisory agreement with Hempori, Inc. to assist the Company in identifying and managing the Company’s overall business strategy and opportunities to enter the hemp based Cannabidiol (CBD) industry. Additionally, the Company entered into an exclusive CBD infused beverage licensing agreement with the Prouty Company to market flavored and non-flavored beverages in various formulas infused with CBD to achieve the following “mood enhancing” affects: Energy, Calm, Focus, and Sleep.

On November 15, 2017, we entered into a distribution agreement with Cedar Creek Labs Series Two LLC (“LLC”) for the term of 1 year. Our Company shall use best efforts to market the Products for the LLC and will receive compensation ranging from 15% to 40% of profit. Our company owns membership interests of 5% in LLC and the transactions between our company and LLC which is an equity method investee are deemed to be between related parties. The Company reviewed Cedar Creek Labs Series Two LLC financial condition at June 30, 2018 and concluded that there is a 100% impairment loss related to the Company’s investment, and recorded an impairment loss of $24,524, for the year ended June 30, 2018.

Our administrative office is located at 777 Main Street, Suite 600, Fort Worth, TX 76102, Telephone: (817)-887-8142. Our corporate website is www.appyea.com.

Our fiscal year end is June 30th. We have not been subject to any bankruptcy, receivership or similar proceeding.

We have two wholly owned subsidiaries, AppYea Holdings, Inc., a South Dakota corporation and The Diagnostic Centers, Inc., a South Dakota corporation.

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**Results of Operations**

*Three months ended March 31, 2019 compared to three months ended March 31, 2018.*

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Three Months Ended** | | | | | |  |
|  |  | **March 31,** | | | | | |  |
|  |  | **2019** | |  |  | **2018** | |  |
| Revenue |  | $ | 92 |  |  | $ | 158 |  |
| Revenue - related party |  | $ | - |  |  | $ | 11,641 |  |
| Operating expenses |  | $ | (38,080 | ) |  | $ | (136,368 | ) |
| Other expense |  | $ | (2,849,816 | ) |  | $ | (272,520 | ) |
| Net loss |  | $ | (2,887,804 | ) |  | $ | (397,089 | ) |

We generated revenues of $92 for the three months ended March 31, 2019, compared to revenues of $158 and revenues from related party of $11,641 for the same period in 2018.

Our operating expenses, for the three months ended March 31, 2019 were $38,080 compared to $136,368 for the same period in 2018. The decrease in operating expenses was primarily as a result of a decrease in consulting expense.

Other net expense, for the three months ended March 31, 2019 were $2,849,816 compared to $272,520 for the same period in 2018. The increase in other expenses was primarily related to change in fair value of derivative liabilities.

We incurred a net loss of $2,887,804 and $397,089 for the three months ended March 31, 2019 and 2018, respectively.

*Nine months ended March 31, 2019 compared to nine months ended March 31, 2018.*

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Nine months ended** | | | | | |  |
|  |  | **March 31,** | | | | | |  |
|  |  | **2019** | |  |  | **2018** | |  |
| Revenue |  | $ | 289 |  |  | $ | 1,202 |  |
| Revenue - related party |  | $ | - |  |  | $ | 11,641 |  |
| Operating expenses |  | $ | (127,420 | ) |  | $ | (520,012 | ) |
| Other expense |  | $ | (2,571,194 | ) |  | $ | (834,064 | ) |
| Net loss |  | $ | (2,698,325 | ) |  | $ | (1,341,233 | ) |

We generated revenues of $289 for the nine months ended March 31, 2019, compared to revenues of $1,202 and revenues from related party of $11,641 for the same period in 2018.

Our operating expenses, for the nine months ended March 31, 2019 were $127,420 compared to $520,012 for the same period in 2018. The decrease in operating expenses was primarily as a result of consulting expense.

Other net expense, for the nine months ended March 31, 2019 were $2,571,194 compared to $834,064 for the same period in 2018. The increase in other expenses was primarily related to change in fair value of derivative liabilities.

We incurred a net loss of $2,698,325 and $1,341,233 for the nine months ended March 31, 2019 and 2018, respectively.

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**Liquidity and Capital Resources**

The following table provides selected financial data about our company as of March 31, 2019 and June 30, 2018, respectively.

Working Capital

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **March 31,** | |  |  | **June 30,** | |  |
|  |  | **2019** | |  |  | **2018** | |  |
| Cash |  | $ | 86,335 |  |  | $ | 47,196 |  |
|  |  |  |  |  |  |  |  |  |
| Current Assets |  | $ | 86,335 |  |  | $ | 47,196 |  |
| Current Liabilities |  | $ | 3,738,609 |  |  | $ | 1,904,064 |  |
| Working Capital (Deficiency) |  | $ | (3,652,274 | ) |  | $ | (1,856,868 | ) |

Cash Flows

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  |  | **Nine months ended** | | | | | |  |
|  |  | **March 31,** | | | | | |  |
|  |  | **2019** | |  |  | **2018** | |  |
| Cash Flows Used In Operating Activities |  | $ | (55,523 | ) |  | $ | (129,988 | ) |
| Cash Flows Used In Investing Activities |  | $ | - |  |  | $ | (25,000 | ) |
| Cash Flows From Financing Activities |  | $ | 94,662 |  |  | $ | 113,679 |  |
| Net Change In Cash During Period |  | $ | 39,139 |  |  | $ | (41,309 | ) |

As at March 31, 2019 our company’s cash balance was $86,335 and total assets were $87,135. As at June 30, 2018, our company’s cash balance was $47,196 and total assets were $54,496.

As at March 31, 2019, our company had total liabilities of $3,738,609, compared with total liabilities of $1,904,064 as at June 30, 2018.

As at March 31, 2019, our company had a working capital deficiency of $3,652,274 compared with working capital deficiency of $1,856,868 as at June 30, 2018. The increase in working capital deficiency was primarily attributed to an increase in derivative liabilities.

**Cash Flow from Operating Activities**

During the nine months ended March 31, 2019, our company used $55,523 in cash in operating activities, compared to $129,988 in cash used in operating activities during the nine months ended March 31, 2018. During the nine months ended March 31, 2019, we incurred a net loss of $2,698,325 of which $2,524,772 arose from non-cash expenses and we generated cash flow of $118,030 from the net increase in operating liabilities. During the nine months ended March 31, 2018, we incurred a net loss of $1,341,233 of which $908,056 arose from non-cash expenses and we generated cash flow of $314,830 from the net increase in operating liabilities and used $11,641 from the net increase in operating assets.

**Cash Flow from Investing Activities**

During the nine months ended March 31, 2019 and 2018, our company used $0 and $25,000 for investment in equity method investee, respectively

**Cash Flow from Financing Activities**

During the nine months ended March 31, 2019, our company received $94,662 from financing activities compared to $113,679 received from financing activities during the nine months ended March 31, 2018. During the nine months ended March 31, 2019, we received $100,000 by way of loan under a convertible note payable, $4,256 loan from a related party and repaid $9,594 to a related party. During the nine months ended March 31, 2018, we received $91,667 by way of loan under a convertible note payable, $8,333 by way of loan under a convertible note payable – related party, $200 from the issuance of our common shares, $20,050 loan from a related party and repaid $6,571 to a related party.

**Off-Balance Sheet Arrangements**

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, and capital expenditures or capital resources that are material to stockholders.

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**Application of Critical Accounting Policies**

*Use of Estimates and Assumptions*

The preparation of financial statements in conformity with generally accepted accounting principles requires that management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

*Financial Instruments*

Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability. ASC 820-10 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. FASB ASC 820 establishes a fair value hierarchy that prioritizes the use of inputs used in valuation methodologies into the following three levels:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets. A quoted price in an active market provides the most reliable evidence of fair value and must be used to measure fair value whenever available.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability. For example, level 3 inputs would relate to forecasts of future earnings and cash flows used in a discounted future cash flows method.

The carrying values of cash, accounts receivable, prepaid expenses, accounts payable, and accruals approximate their fair value due to the short-term maturities of these instruments.

*Derivative Financial Instruments*

The Company does not use derivative instruments to hedge exposures to cash flow, market or foreign currency risks. We evaluate all of our financial instruments to determine if such instruments are derivatives or contain features that qualify as embedded derivatives. For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value and is then re-valued at each reporting date, with changes in the fair value reported in the statements of operations. For stock-based derivative financial instruments, the Company used a Black Scholes valuation model to value the derivative instruments at inception and on subsequent valuation dates. The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is evaluated at the end of each reporting period. Derivative liabilities are classified in the balance sheet as current or non-current based on whether or not net-cash settlement or conversion of the instrument could be required within 12 months of the balance sheet date.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

As a “smaller reporting company”, we are not required to provide the information required by this Item.

**Item 4. Controls and Procedures**

**Evaluation of Disclosure Controls and Procedures**

The Company’s management conducted an evaluation of the effectiveness of the Company’s disclosure controls and procedures (as such term is defined in Rule 13a-15(e) and Rule 15d-15(e) under the 1934 Act) pursuant to Rule 13a-15 under the 1934 Act. The Company’s disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports it files or submits under the 1934 Act is recorded, processed, summarized and reported on a timely basis and that such information is communicated to management and the Company’s board of directors to allow timely decisions regarding required disclosure.

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Based on this evaluation, it has been concluded that the design and operation of our disclosure controls and procedures are not effective since the following material weaknesses exist:

|  |  |  |
| --- | --- | --- |
|  | · | Since inception our chief executive officer also functions as our chief financial officer. As a result, our officers may not be able to identify errors and irregularities in the financial statements and reports. |

|  |  |  |
| --- | --- | --- |
|  | · | We were unable to maintain full segregation of duties within our financial operations due to our reliance on limited personnel in the finance function. While this control deficiency did not result in any material adjustments to our financial statements, it could have resulted in a material misstatement that might have been prevented or detected by a segregation of duties. |

|  |  |  |
| --- | --- | --- |
|  | · | Documentation of all proper accounting procedures is not yet complete. |

To the extent reasonably possible given our limited resources, as financial resources become available we intend to take measures to cure the aforementioned weaknesses, including, but not limited to, the following:

|  |  |  |
| --- | --- | --- |
|  | · | Increasing the capacity of our qualified financial personnel to ensure that accounting policies and procedures are consistent across the organization and that we have adequate control over financial statement disclosures. |

**Changes in Internal Control over Financial Reporting**

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

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**PART II - OTHER INFORMATION**

**Item 1. Legal Proceedings**

To the best of the Company’s knowledge and belief, no legal proceedings are currently pending or threatened.

**Item 1A. Risk Factors**

As a “smaller reporting company”, we are not required to provide the information required by this Item.

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

None.

**Item 3. Defaults Upon Senior Securities**

None.

**Item 4. Mine Safety Disclosures**

Not applicable.

**Item 5. Other Information**

None

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**Item 6. Exhibits**

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| --- | --- | --- |
| **Exhibit Number** |  | **Description** |
| **(31)** |  | **Rule 13a-14 (d)/15d-14d) Certifications** |
| [31.1\*](apyp_ex311.htm) |  | [Section 302 Certification by the Principal Executive Officer, Principal Financial Officer and Principal Accounting Officer](apyp_ex311.htm) |
| **(32)** |  | **Section 1350 Certifications** |
| [32.1\*\*](apyp_ex321.htm) |  | [Section 906 Certification by the Principal Executive Officer, Principal Financial Officer and Principal Accounting Officer](apyp_ex321.htm) |
| **101**\* |  | **Interactive Data File** |
| 101.INS |  | XBRL Instance Document |
| 101.SCH |  | XBRL Taxonomy Extension Schema Document |
| 101.CAL |  | XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF |  | XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB |  | XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE |  | XBRL Taxonomy Extension Presentation Linkbase Document |

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*\* Filed herewith.*

*\*\* Furnished herewith.*

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**SIGNATURES**

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

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|  |  | **APPYEA, INC.** |  |
|  |  | (Registrant) |  |
|  |  |  |  |
|  |  |  |  |
| Dated: May 14, 2019 |  | */s/ Douglas O. McKinnon* |  |
|  |  | **Douglas O. McKinnon** |  |
|  |  | Chief Executive Officer and Chief Financial Officer |  |
|  |  | (Principal Executive Officer, Principal Financial Officer  and Principal Accounting Officer) |  |

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