

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-Q

Mark One

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

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

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

For the transition period from _____ to _____

Commission file number **000-55787**

VET ONLINE SUPPLY, INC.

(Exact name of registrant as specified in its charter)

(VET ONLINE LOGO)

Florida

(State or Other Jurisdiction of
Incorporation or Organization)

47-0990750

IRS Employer
Identification Number

5047

Primary Standard Industrial
Classification Code Number

6500 Live Oak Drive
Kelseyville, CA 95451
Tel: 415-756-4057

(Address and telephone number of principal executive offices)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, 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 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 (Do not check if a smaller reporting company)

Smaller reporting company

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 7(a)(2)(B) of the Securities Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of August 12, 2019, there were 1,942,319 shares of the registrant's \$0.001 par value common stock issued and outstanding.

CONTENTS

	Page
<u>PART I – FINANCIAL INFORMATION</u>	
Item 1. Financial Statements	3
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	18
Item 3. Quantitative and Qualitative Disclosure about Market Risk	22
Item 4. Controls and Procedures	22
<u>PART II – OTHER INFORMATION</u>	
Item 1. Legal Proceedings	22
Item 1A. Risk Factors	23
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	23
Item 3. Defaults Upon Senior Securities	23
Item 4. Mine Safety Disclosures	23

Item 5.	Other Information	23
Item 6.	Exhibits	24
	SIGNATURES	25

FORWARD LOOKING STATEMENTS

Statements made in this Form 10-Q that are not historical or current facts are “forward-looking statements.” These statements often can be identified by the use of terms such as “may,” “will,” “expect,” “believe,” “anticipate,” “estimate,” “approximate” or “continue,” or the negative thereof. We intend that such forward-looking statements be subject to the safe harbors for such statements. We wish to caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made. Any forward-looking statements represent management’s best judgment as to what may occur in the future. However, forward-looking statements are subject to risks, uncertainties and important factors beyond our control that could cause actual results and events to differ materially from historical results of operations and events and those presently anticipated or projected. We disclaim any obligation subsequently to revise any forward-looking statements to reflect events or circumstances after the date of such statement or to reflect the occurrence of anticipated or unanticipated events.

2

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

The accompanying unaudited financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions for Form 10-Q and Article 210 8-03 of Regulation S-X. Accordingly, they do not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. All such adjustments are of a normal recurring nature. Operating results for the six months ended June 30, 2019, are not necessarily indicative of the results that may be expected for the year ending December 31, 2019. For further information, refer to the financial statements and footnotes thereto included in our company’s Annual Report on Form 10-K for the year ended December 31, 2018 as filed with the Securities and Exchange Commission on April 15, 2018.

REPORTED IN UNITED STATES DOLLARS

	Page
Balance Sheets (Unaudited)	4
Statements of Operations and Comprehensive Loss (Unaudited)	5
Statements of Shareholders’ Deficit (Unaudited)	6
Statements of Cash Flows (Unaudited)	7
Notes to Financial Statements	8-17

3

VET ONLINE SUPPLY INC. BALANCE SHEETS

	June 30, 2019	December 31, 2018
	(Unaudited)	
ASSETS		
Current Assets		
Cash	\$ 903	\$ 10,640
Inventory	17,440	17,960
Prepaid expenses	—	3,000
Other current assets	52	—
Total Current Assets	18,395	31,600
TOTAL ASSETS	\$ 18,395	\$ 31,600
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 571,394	\$ 567,250
Convertible notes payable, interest	140,402	61,586
Convertible notes payable, net of discount	757,089	555,224
Deferred revenue	—	82
Derivative liabilities	1,189,195	1,426,982
Liability for unissued shares	150,825	150,825
Related party liabilities	64,351	29,267
Sales tax payable	51	35
Total Current Liabilities	2,873,307	2,791,251
Total Liabilities	2,873,307	2,791,251
Commitments and contingencies	—	—
SHAREHOLDERS’ EQUITY (DEFICIT)		
Preferred stock, Series A: \$0.001 par value; 2,000,000 shares authorized	—	—
0 shares issued and outstanding at June 30, 2019 and December 31, 2018		
Preferred stock, Series B: \$0.001 par value; 10,000,000 shares authorized	1	1
1,000 shares issued and outstanding at March 31, 2019		
1,000 shares issued and outstanding at December 31, 2018		
Common stock, \$0.001 par value; 50,000,000,000 authorized	1,942	1,498
1,942,319 shares issued and outstanding at June 30, 2019 (1)		
1,498,038 shares issued and outstanding at December 31, 2018 (1)		
Additional paid in capital	6,858,915	6,672,064
Accumulated deficit	(9,715,770)	(9,433,214)
Total Shareholders’ Equity (Deficit)	(2,854,912)	(2,759,651)
TOTAL LIABILITIES AND SHAREHOLDERS’ EQUITY (DEFICIT)	\$ 18,395	\$ 31,600

(1) All common share amounts and per share amounts in the financial statements reflect the one-for-three thousand reverse stock split that was made effective on April 22, 2019. See Note 7.

The accompanying notes are an integral part of these financial statements

4

VET ONLINE SUPPLY INC.
STATEMENT OF OPERATIONS
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Sales	\$ 395	\$ 2,046	\$ 1,365	\$ 3,014
Cost of sales	289	1,093	847	1,525
Gross profit (loss)	106	953	518	1,489
Operating expenses:				
Consulting fees	12,568	196,762	26,228	606,593
G&A expenses	6,443	12,712	13,126	46,204
Professional fees	35,297	36,769	43,697	66,929
Salaries and wages	9,000	9,000	18,000	18,000
Total Operating expenses	63,308	255,243	101,051	737,726
Loss from operations	(63,202)	(254,290)	(100,533)	(736,237)
Other income (expense):				
Gain (loss) on derivative liability valuation	137,586	405,673	178,912	(2,745,197)
Interest expenses	(156,847)	(392,901)	(360,935)	(714,188)
Total other income/expenses	(19,261)	12,772	(182,023)	(3,459,385)
Net loss before income taxes	(82,463)	(241,518)	(282,556)	(4,195,622)
Income tax expense	—	—	—	—
Net loss	\$ (82,463)	\$ (241,518)	\$ (282,556)	\$ (4,195,622)
Per share information				
Weighted number of common shares outstanding, basic and diluted (1)	1,942,319	752,071	1,839,476	582,015
Net loss per common share	(0.04246)	(0.3211)	(0.15361)	(7.2088)

(1) All common share amounts and per share amounts in the financial statements reflect the one-for-three thousand reverse stock split that was made effective on April 22, 2019. See Note 7.

The accompanying notes are an integral part of these financial statements

5

VET ONLINE SUPPLY INC.
STATEMENT OF SHAREHOLDERS' EQUITY
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2019 and 2018 (unaudited)

	Preferred Stock		Common Stock (1)		Treasury Stock	Additional Paid-In Capital	Accumulated Deficit	Total Shareholders' Equity
	Series B Shares	Amount	Shares	Amount				
Balance as of March 31, 2018	1,000	\$ 1	731,950	\$ 732	\$ —	\$ 5,540,560	\$ (8,818,710)	\$ (3,277,417)
Conversion of promissory notes to stock	—	—	113,769	114	—	385,083	—	385,197
Common stock issued for services	—	—	90	0	—	486	—	486
Net loss	—	—	—	—	—	—	(241,518)	(241,518)
Balance as of June 30, 2018	1,000	\$ 1	845,809	\$ 846	\$ —	\$ 5,926,129	\$ (9,060,228)	\$ (3,133,252)
Balance as of December 31, 2017	1,000	\$ 1	223,070	\$ 223	\$ 19	\$ 3,904,473	\$ (4,864,606)	\$ (959,890)
Conversion of promissory notes to stock	—	—	548,983	549	—	1,982,572	—	1,983,121
Preferred shares returned to treasury cancelled	—	—	—	—	(19)	19	—	—
Common stock warrants issued by cashless exercise	—	—	66,508	67	—	(67)	—	—
Common stock issued for services	—	—	7,248	7	—	39,132	—	39,139
Net loss	—	—	—	—	—	—	(4,195,622)	(4,195,622)
Balance as of June 30, 2018	1,000	\$ 1	845,809	\$ 846	\$ —	\$ 5,926,129	\$ (9,060,228)	\$ (3,133,252)
Balance as of March 31, 2019	1,000	\$ 1	1,942,319	\$ 1,942	\$ —	\$ 6,858,916	\$ (9,633,307)	\$ (2,772,449)
Net loss	—	—	—	—	—	—	(82,463)	(82,463)
Balance as of June 30, 2019	1,000	\$ 1	1,942,319	\$ 1,942	\$ —	\$ 6,858,916	\$ (9,715,770)	\$ (2,854,912)
Balance as of December 31, 2018	1,000	\$ 1	1,498,038	\$ 1,498	\$ —	\$ 6,672,064	\$ (9,433,214)	\$ (2,759,651)
Conversion of promissory notes to stock	—	—	444,281	444	—	308,426	—	308,870
Derivative settlements	—	—	—	—	—	(121,575)	—	(121,575)
Net loss	—	—	—	—	—	—	(282,556)	(282,556)
Balance as of June 30, 2019	1,000	\$ 1	1,942,319	\$ 1,942	\$ —	\$ 6,858,915	\$ (9,715,770)	\$ (2,854,912)

(1) All common share amounts and per share amounts in the financial statements reflect the one-for-three thousand reverse stock split that was made effective on April 22, 2019. See Note 7.

The accompanying notes are an integral part of these financial statements

6

VET ONLINE SUPPLY INC.
STATEMENTS OF CASH FLOWS
(Unaudited)

	2019	2018
Increase (decrease) in cash and cash equivalents:		
Cash flows from operating activities:		
Net profit (loss)	\$ (282,556)	\$ (4,195,622)
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of convertible debt discount	275,598	625,679
New derivatives recorded as loan fees	45,498	3,984,178
Change in derivative liability	(224,411)	(1,238,982)
Common stock issued for services	—	49,389
Decrease (increase) in operating assets:		
Inventory	520	(38,805)
Prepaid expenses	3,000	(1,000)
Other assets	(52)	—
Increase (decrease) in operating liabilities:		
Accounts payable	4,144	45,413
Accrued interest	85,254	78,259
Deferred revenue	(82)	—
Sales tax payable	16	29
Net cash used in operating activities	(93,071)	(691,462)
Cash flows from investing activities		
Cash flows from financing activities:		
Proceeds from convertible notes payable, net	48,250	711,250
Proceeds from (payments to) related parties, net	35,084	9,918
Proceeds from promissory notes payable	—	—
Net cash provided (used) by financing activities	83,334	721,168
Net increase (decrease) in cash	(9,737)	29,706
Cash, beginning of year	10,640	16,820
Cash, end of year	\$ 903	\$ 46,526
Supplemental disclosures of cash flow information:		
Cash paid for income taxes	\$ —	\$ —
Cash paid for interest	\$ —	\$ —

The accompanying notes are an integral part of these financial statements

VET ONLINE SUPPLY INC.
NOTES TO UNAUDITED FINANCIAL STATEMENTS
(Unaudited)

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Description of Business

Vet Online Supply Inc. (the “Company”) is a Florida corporation incorporated on May 31, 2014. The Company engages in the online sale of its own holistic product line for pets, as well as targeting the larger Big-Box Pet retail suppliers, and during the first quarter of 2018, discontinued its legacy veterinarian supplies lines. The company discontinued its legacy line of products to increase margins and profitability with its own brand-name holistic products. These new holistic pet products are designed to help with arthritis, compromised immune systems, stress responses, aggression and digestive issues and may also be useful in treating acute ailments like sprains and strains, torn ligaments, bone breaks and even during post-operative care to reduce swelling, pain and stiffness. The Company’s web-based eCommerce platform with our products is on our website, www.vetonline-supplies.com. The website gives our potential clients the ability to purchase quality pet products by placing their order any time of day at their convenience.

Distribution channels include its existing online retail sales platform and fulfillment, and direct sales through its global manufacturing sales representative network. Although selling pet products online is not entirely new to the company, we anticipate that this medium will continue to grow as our brand continues to achieve recognition. We believe that by providing high quality holistic pet products at competitive prices and to customers online, Vet Online Supply hopes to become a ‘go-to’ solution for pet owners everywhere. In addition, online vs. catalogue has the benefit of, among other things, search tools and accounts that remember previous purchases, and expedited ordering.

On April 22, 2019, the Company approved the authorization of a 1 for 3,000 reverse stock split of the Company’s outstanding shares of common stock. The Company’s financial statements have been retroactively adjusted for this stock split for all periods presented.

To date, our activities have been limited to formation, the raising of equity capital, and the initial stages of implementation of our business plan. We filed a Form S-1 Registration Statement with the U.S. Securities and Exchange Commission, received a notice of effect and trade on the OTC Markets, PINK under the symbol VTNL. We are continuing to explore additional sources of capital. We anticipate incurring operating losses as we continue to implement our business plan.

Financial Statement Presentation

The audited financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

Fiscal year end

The Company has selected December 31 as its fiscal year end.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported therein. Due to the inherent uncertainty involved in making estimates, actual results reported in future periods may be based upon amounts that differ from these estimates.

Cash Equivalents

Revenue Recognition and Related Allowances

The Company adopted ASU No. 2014-09, “Revenue from Contracts with Customers” (“ASU 2014-09”) as amended, as of January 1, 2018 with no material impact. The Company primarily generates net revenue through product sales to distributors and to retail customers on its website. Revenue is recognized upon transfer of control of promised products to customers which is generally upon shipment in an amount that reflects the consideration we expect to receive in exchange for those products or services. Revenue is recognized net of allowances for returns and any taxes collected from customers, which are subsequently remitted to governmental authorities.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are stated at the amount that management expects to collect from outstanding balances. Bad debts and allowances are provided based on historical experience and management’s evaluation of outstanding accounts receivable. Management evaluates past due or delinquency of accounts receivable based on the open invoices aged on due date basis. The allowance for doubtful accounts at June 30, 2019 and December 31, 2018 is \$0.

Inventories

The Company is a manufacturer of premium CBD infused holistic pet products and as such will maintain inventory on site. The company directly drop ships to customers when ordered. The Company has wholesale distributors that purchase products in bulk inventory.

Warranty

The Company is a manufacturer of products which are shipped to our customers directly from the company and as a result, there are costs that may be incurred by the Company under the terms of the limited warranty provided by the company directly to the purchasers. We provide provisions for obligations which may arise under manufacturer’s warranties and therefore incur liabilities. We warranty the product for packaging and shipping.

Advertising and Marketing Costs

The company provides website online marketing of its products, as well as wholesalers who market the product. The company also utilises various public press releases to provide public information about its product line and future products under development. Advertising and marketing costs are expensed as incurred for the three and six months ended June 30, 2019 were \$1,085 and \$3,800, respectively. (\$5,850 – December 31, 2018).

Fair Value of Financial Instruments

Fair value is defined as the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. The fair value should be calculated based on assumptions that market participants would use in pricing the asset or liability, not on assumptions specific to the entity. In addition, the fair value of liabilities should include consideration of non-performance risk including our own credit risk.

In addition to defining fair value, the standard expands the disclosure requirements around fair value and establishes a fair value hierarchy for valuation inputs is expanded. The hierarchy prioritizes the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. Each fair value measurement is reported in one of the three levels and which is determined by the lowest level input that is significant to the fair value measurement in its entirety.

These levels are:

Level 1 - inputs are based upon unadjusted quoted prices for identical instruments traded in active markets.

Level 2 - inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - inputs are generally unobservable and typically reflect management’s estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

Financial assets and liabilities measured at fair value on a recurring basis:

	Input Level	June 30, 2019 Fair Value	December 31, 2018 Fair Value
Derivative Liability	3	\$ 1,189,195	\$ 1,426,982
Total Financial Liabilities		\$ 1,189,195	\$ 1,426,982

In management’s opinion, the fair value of convertible notes payable and advances payable is approximate to carrying value as the interest rates and other features of these instruments approximate those obtainable for similar instruments in the current market. Unless otherwise noted, it is management’s opinion that the Company is not exposed to significant interest, exchange or credit risks arising from these financial instruments. As of June 30, 2019 and December 31, 2018, the balances reported for cash, accounts receivable, prepaid expenses, accounts payable, and accrued liabilities, approximate the fair value because of their short maturities.

Income taxes

The Company has adopted SFAS No. 109 – “Accounting for Income Taxes”. ASC Topic 740 requires the use of the asset and liability method of accounting for income taxes. Under the asset and liability method of ASC Topic 740, deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. 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.

Basic and Diluted Loss Per Share

In accordance with ASC Topic 280 – “Earnings Per Share”, the basic loss per common share is computed by dividing net loss available to common stockholders by the weighted average number of common shares outstanding. Diluted loss per common share is computed similar to basic loss per common share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which replaces existing revenue recognition guidance. The updated guidance requires companies to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In addition, the new standard requires that reporting companies disclose the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The Company adopted the standard on January 1, 2018, using a modified retrospective approach, with the cumulative effect of initially applying the standard recognized in retained earnings at the date of adoption.

In February 2016, the FASB issued ASU 2016-02 (ASC Topic 842), *Leases*. The ASU amends a number of aspects of lease accounting, including requiring lessees to recognize operating leases with a term greater than one year on their balance sheet as a right-of-use asset and corresponding lease liability, measured at the present value of the lease payments. The amendments in this ASU are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted. The Company does not believe this ASU will have an impact on our results of operation, cash flows, or financial condition, given that it does not currently have any leases in effect.

2. GOING CONCERN

The Company has experienced net losses to date, and it has not generated sufficient revenue from operations to meet our operational overhead. We will need additional working capital to service debt and for ongoing operations, which raises substantial doubt about our ability to continue as a going concern. Management of the Company is preparing a strategy to meet operational shortfalls which may include equity funding, short term or long-term financing or debt financing, to enable the Company to reach profitable operations. Historically, the Company's sole officer and director has provided short term loans to meet working capital shortfalls. We have recently entered into financing agreements with various third parties to meet our capital needs in fiscal 2019.

The accompanying financial statements do not include any adjustments related to the recoverability or classification of asset-carrying amounts or the amounts and classification of liabilities that may result should the Company be unable to continue as a going concern.

3. PREPAID EXPENSES

	June 30, 2019	December 31, 2018
Prepaid expenses	\$ —	\$ 3,000

Prepaid fees represent amounts paid in advance for future contractual benefits to be received. Contracting expenses paid in advance are recorded as a prepaid asset and then amortized to the statements of operations when services are rendered, or over the life of the contract using the straight-line method.

During the six months ended June 30, 2019, the Company reclassified prepaid employee wages that were paid during the year ended December 31, 2018.

4. CONVERTIBLE NOTES PAYABLE

As of June 30, 2019 and December 31, 2018, notes payable were comprised of the following:

	Original Note Amount	Original Note Date	Due Date	Interest Rate	Conversion Rate	June 30, 2019	December 31, 2018
APG Capital #2	31,500	6/25/2018	6/25/2019	12%	Variable	31,500	31,500
Auctus Fund #2	84,000	1/10/2018	10/10/2018	24%	Variable	31,285	47,373
Auctus Fund #3	175,000	2/6/2018	11/6/2018	24%	Variable	175,000	175,000
Auctus Fund #4	90,000	3/6/2018	12/6/2018	24%	Variable	90,000	90,000
Auctus Fund #5	100,000	6/14/2018	3/14/2019	24%	Variable	100,000	100,000
Auctus Fund #6	75,000	8/13/2018	5/13/2019	12%	Variable	75,000	75,000
Auctus Fund #7	25,000	10/11/2018	7/11/2019	12%	Variable	25,000	25,000
Auctus Fund #8	25,750	12/20/2018	9/20/2019	12%	Variable	25,750	25,750
Auctus Fund #9	57,000	4/12/2019	1/12/2020	12%	Variable	57,000	—
EMA Financial #2	50,000	12/15/2017	12/15/2018	12%	Variable	8,474	8,474
EMA Financial #3	100,000	3/5/2018	3/5/2019	24%	Variable	73,305	83,499
EMA Financial #4	25,000	10/10/2018	7/10/2019	24%	Variable	25,000	25,000
Emerging Corp Cap #1	83,333	2/12/2018	2/11/2019	22%	Variable	74,933	74,933
Emerging Corp Cap #2	110,000	10/31/2018	10/31/2019	12%	Variable	110,000	110,000
Power Up Lending #8	33,000	6/25/2018	4/15/2019	12%	Variable	—	33,000
						902,247	904,529
Debt discount						(133,446)	(313,258)
Financing costs./Original issue discount						(11,712)	(36,047)
Notes payable, net of discount						\$ 757,089	\$ 555,224

During the six months ending June 30, 2019, the Company received proceeds from new convertible notes of \$48,250. The Company recorded no payments on their convertible notes, and conversions of \$59,282 of convertible note principal. All of the Company's convertible notes have a conversion rate that is variable, and therefore, the Company has accounted for their conversion features as derivative instruments (see Note 5). The Company also recorded amortization of \$275,598 on their convertible note debt discounts and loan fees. As of June 30, 2019, the convertible notes payable are convertible into 6,545,274 shares of the Company's common stock.

During the six months ending June 30, 2018, the Company received proceeds from new convertible notes of \$711,250. The Company recorded no payments on their convertible notes, and conversions of \$297,119 of convertible note principal. The Company recorded penalties of \$47,727, of which \$32,762 was converted into the Company's common stock. The Company recorded loan fees on new convertible notes of \$116,083, which increased the debt discounts recorded on the convertible notes during the six months ending June 30, 2018. All of the Company's convertible notes have a conversion rate that is variable, and therefore, the Company has accounted for their conversion features as derivative instruments (see Note 5). As a result of recording derivative liabilities at note inception, the Company increased the debt discount recorded on their convertible notes by \$882,333 during the six months ended June 30, 2018. The Company also recorded amortization of \$552,334 on their convertible note debt discounts and \$73,345 on loan fees.

During the three months ended June 30, 2019 and 2018, the Company recorded interest expense of \$44,669 and \$18,910, respectively, on its convertible notes payable. During the three months ended June 30, 2019 and 2018, the Company recorded conversions of \$0 and \$4,615, respectively of convertible note interest.

During the six months ended June 30, 2019 and 2018, the Company recorded interest expense of \$83,753 and \$30,532, respectively, on its convertible notes payable. During the six months ended June 30, 2019 and 2018, the Company recorded conversions of \$4,938 and \$8,888, respectively of convertible note interest. As of June 30, 2019 and 2018, the accrued interest balance was \$140,402 and \$27,877, respectively.

5. DERIVATIVE LIABILITIES

The following table represents the Company's derivative liability activity for the embedded conversion features for the periods ending June 30, 2019 and December 31, 2018:

	June 30, 2019	December 31, 2018
Balance, beginning of period	\$ 1,426,982	\$ 625,214
Initial recognition of derivative liability	108,198	5,441,395
Conversion of derivative instruments to Common Stock	(121,575)	(1,958,802)
Mark-to-Market adjustment to fair value	(224,410)	(2,680,825)
Balance, end of period	\$ 1,189,195	\$ 1,426,982

12

During the six months ended June 30, 2019 and 2018, the Company recorded derivative liabilities for embedded conversion features related to convertible notes payable of \$108,198 and \$4,866,511, respectively.

During the six months ended June 30, 2019 and 2018, in conjunction with convertible notes payable principal and accrued interest being converted into common stock of the Company, derivative liabilities were reduced by \$121,575 and \$1,634,102, respectively.

For the three months ended June 30, 2019 and 2018, the Company performed a final mark-to-market adjustment for the derivative liability related to the convertible notes and the carrying amount of the derivative liability related to the conversion feature and recognized a gain on the derivative liability valuation of \$183,084 and \$813,302, respectively.

For the six months ended June 30, 2019 and 2018, the Company performed a final mark-to-market adjustment for the derivative liability related to the convertible notes and the carrying amount of the derivative liability related to the conversion feature and recognized a gain on the derivative liability valuation of \$224,410 and \$1,238,982, respectively.

The Company uses the Black-Scholes option pricing model to estimate fair value for those instruments convertible into common shares at inception, at conversion or extinguishment date, and at each reporting date. During the six months ended June 30, 2019, the company used the following assumptions in their Black-Scholes model: (1) risk free interest rate 1.71% - 2.44%, (2) term of 0.12 years - 5 years, (3) expected stock volatility of 185.7% - 568.21%, (4) expected dividend rate of 0%, (5) common stock price of \$0.0001, and (6) exercise price of \$0.00005 - \$0.03.

These instruments were not issued with the intent of effectively hedging any future cash flow, fair value of any asset, liability or any net investment in a foreign operation. The instruments do not qualify for hedge accounting, and as such, all future changes in the fair value will be recognized in earnings until such time as the instruments are exercised, converted or expire.

6. PREFERRED STOCK

On March 28, 2017, the Company filed an amendment to its articles of incorporation designating 20,000 shares of its authorized preferred stock, par value \$0.001 as Series B Voting Preferred Stock. The Series B Voting Preferred Stock shall have the right to vote the shares on any matter requiring shareholder approval on the basis of 4 times the votes of all the issued and outstanding shares of common stock, as well as any issued and outstanding preferred stock.

On March 1, 2018, 1,000 shares of Series B Voting Preferred Stock were issued to Daniel Rushford.

On October 25, 2018, the Company's Board of Directors authorized the creation of 2,000,000 shares of Series A Preferred Stock with a par value of \$0.001, and on October 30, 2018 a Certificate of Designation was filed with the Florida Secretary of State. Upon written notice to the Corporation, the holder of Series A Preferred stock may convert their shares into ten (10) shares of fully paid and nonassessable shares of Common Stock of the Corporation. The holders shall have no voting rights on corporate matters, unless and until they convert their Series A shares into Common Shares, at which time they will have the same voting rights as all Common Shareholders have; their consent shall not be required for taking any corporate action.

As of June 30, 2019, 2,000,000 Series A Preferred shares and 10,000,000 Series B Preferred shares were authorized, of which 0 Series A shares were issued and outstanding, (0 shares as of December 31, 2018) and 1,000 Series B shares were issued and outstanding (1,000 shares as of December 31, 2018).

7. COMMON STOCK

On March 15, 2018, the Company announced that its Board of Directors has determined that it is in the best interests of the Corporation to initiate a program to reacquire certain shares of stock from its stockholders, and to thereafter retire said shares as non-voting Treasury stock. The Corporation has approved a Share Repurchase Program (the "Program") to accomplish this. The Corporation hereby will make an offer of redemption to its shareholders in accordance with the terms of the Program. The specific timing, price and size of purchases will depend on prevailing stock prices, general economic and market conditions, and other considerations. The Program does not obligate the Company to acquire any particular amount of stock, and the Program may be suspended or discontinued at any time at the Company's discretion. The Company discontinued this program on June 30, 2019.

13

On March 27, 2018, the Company approved the issuance of 7,248 shares of the Company's common stock for services provided by a consultant, in the form of stock awards which shall vest as of the date of grant. The shares were valued at the fair market value on the date of grant totaling \$39,139, which has been expensed as stock-based compensation as part of consulting expenses.

On April 30, 2018, the Company filed a Certificate of Amendment to increase the number of authorized common shares from 25,000,000,000 to 50,000,000,000 with a par value of \$0.001.

During the year ended December 31, 2018, the holders of convertible notes converted a total of \$560,907 of principal, accrued interest, note fees and penalties into 1,201,212 shares of common stock. The common stock was valued at \$2,519,708 based on the market price of the Company's stock on the date of conversion. The issuance extinguished \$1,958,802 worth of derivative liabilities, and \$(1,083,929) was recorded as additional paid in capital.

On April 22, 2019, the Majority Preferred Series B Shareholders of the Company, owning a majority of the Company's voting securities, approved a resolution authorizing the Company to amend the Articles of Incorporation to accomplish the Reverse Split of the Corporation's issued and outstanding shares of 1 for 3,000 of Common Stock having a par value of \$0.001 per share. The Board believes that the Articles of Amendment better reflects the nature of the Company's anticipated operations. On April 23, 2019, the Company filed Schedule PRE 14C with the Securities and Exchange Commission and is now on a twenty-business day waiting period to file the Schedule 14C.

During the six months ended June 30, 2019, the holders of convertible notes converted a total of \$64,220 of principal and accrued interest, and \$1,500 in note fees into 444,281 shares of common stock. The common stock was valued at \$308,870 based on the market price of the Company's stock on the date of conversion. The issuance extinguished \$121,575 worth of derivative liabilities and \$1,267,126 was recorded as additional paid in capital.

Warrants

On June 19, 2017, the Company executed a Common Stock Purchase Warrant for 850,000 shares. The purchase price of one share of Common Stock under this Warrant shall be equal to the Exercise Price of \$0.03 per share for a term of five years. If the market price of one share of common stock is greater than the Exercise Price, the holder may elect to receive warrant shares pursuant to cashless exercise.

On June 14, 2018, the Company executed a Common Stock Purchase Warrant for 16,667 shares. The purchase price of one share of Common Stock under this Warrant shall be equal to the Exercise Price of \$0.001 per share for a term of five years. If the market price of one share of common stock is greater than the Exercise Price, the holder may elect to receive warrant shares pursuant to cashless exercise.

On August 13, 2018, the Company executed a Common Stock Purchase Warrant for 12,500 shares. The purchase price of one share of Common Stock under this Warrant shall be equal to the Exercise Price of \$0.001 per share for a term of five years. If the market price of one share of common stock is greater than the Exercise Price, the holder may elect to receive warrant shares pursuant to cashless exercise.

On October 11, 2018, the Company executed a Common Stock Purchase Warrant for 8,333 shares. The purchase price of one share of Common Stock under this Warrant shall be equal to the Exercise Price of \$0.001 per share for a term of five years. If the market price of one share of common stock is greater than the Exercise Price, the holder may elect to receive warrant shares pursuant to cashless exercise.

On December 20, 2018, the Company executed a Common Stock Purchase Warrant for 8,583 shares. The purchase price of one share of Common Stock under this Warrant shall be equal to the Exercise Price of \$0.001 per share for a term of five years. If the market price of one share of common stock is greater than the Exercise Price, the holder may elect to receive warrant shares pursuant to cashless exercise.

14

During the year ended December 31, 2018, a warrant holder exercised the warrants and the Company issued 66,508 shares of common stock through a cashless exercise of the warrants.

On April 12, 2019, the Company executed a Common Stock Purchase Warrant for 19,000 shares. The purchase price of one share of Common Stock under this Warrant shall be equal to the Exercise Price of \$0.001 per share for a term of five years. If the market price of one share of common stock is greater than the Exercise Price, the holder may elect to receive warrant shares pursuant to cashless exercise .

We account for common stock purchase warrants as derivative liabilities and debt issuance costs on the balance sheet at fair value, and changes in fair value during the periods presented in the statement of operations, which is revalued at each balance sheet date subsequent to the initial issuance of the warrant.

8. RELATED PARTY TRANSACTIONS

Mr. Matthew C. Scott, Director

On April 1, 2017, the Company expanded its board of directors to include Matthew C. Scott. Concurrently, the Company entered into a consulting agreement with Mr. Scott for a term of one year, whereby Mr. Scott shall receive an annual fee of \$100,000 payable in quarterly installments. Furthermore, effective April 1, 2017 the Company agreed to issue Mr. Scott 667 shares of restricted common stock for his services as a director. The shares upon issue will be held by the Company for a term of six months and are cancelable should Mr. Scott not serve in his capacity as director for a minimum term of six months.

The Company recorded \$140,000 in share-based compensation in respect of the 667 shares issuable based on the fair market value on April 1, 2017, which has been recorded on the balance sheet as liabilities for unissued shares. Furthermore, a total of \$140,000 has been expensed in the year ending December 31, 2017 as stock-based compensation as part of consulting expenses. As of the date of this report, the shares have not been issued.

On October 15, 2017, the Board of Directors of the Company approved the issuance of 25,000 restricted common shares to Matthew Scott to satisfy accrued fees of \$50,000, pursuant his agreement dated April 1, 2017. The shares were issued on November 13, 2017 and were valued at \$1,200,000, based on the market value on the date the shares were approved for issuance, and \$1,150,000 was recorded as a loss on settlement of debt of the statement of operations.

On April 1, 2018, the Company agreed to renew the Consulting Agreement dated April 1, 2017 for one year.

On November 8, 2018, Mr. Scott resigned as a Director and agreed to forfeit all stock and outstanding debts owed to him pursuant to his Consulting Agreement. The Company recorded a reduction of \$210,000 to accounts payable and unissued shares with a corresponding entry to additional paid in capital.

Mr. Samuel Berry, Director

On June 19, 2017, the Company entered into a Consulting Agreement with Mr. Samuel Berry. Mr. Berry will receive an annual salary of \$50,000, payable in quarterly installments at \$12,500 per quarter.

On June 19, 2017 the Board of Directors appointed Mr. Samuel Berry as Director. For accepting the position of Director, Mr. Berry will receive 333 Shares of the Company's common stock. Additionally, Mr. Berry will be paid \$500 for each board meeting for which he is physically present.

The Company recorded \$50,000 in respect to the value of 333 unissued shares as liabilities for unissued shares and expensed \$50,000 as stock-based compensation as part of consulting expenses in the period ended June 30, 2017. As of the date of this report, the shares have not been issued.

15

On October 15, 2017, the Board of Directors of the Company approved the issuance of 25,000 restricted common to Samuel Berry to satisfy consulting fees of \$50,000, pursuant his agreement dated June 19, 2017. The shares were issued on November 13, 2017 and were valued at \$1,200,000 based on the market value on the date the shares were approved for issuance, and \$1,150,000 was recorded as a loss on settlement of debt on the statement of operations.

On June 19, 2019, the Company agreed to renew the Consulting Agreement dated June 19, 2017 for one year .

During the six months ended June 30, 2019, the Company accrued \$25,000 in consulting fees in connection to his agreement.

Daniel Rushford, President, CEO, Secretary, Treasurer and Director

On August 28, 2017, the Company entered into an Employment Agreement with Mr. Daniel Rushford with regard to being appointed as the new Chief Executive Officer, President, Secretary, Treasurer and Member of the Board of Directors. Mr. Rushford will receive a monthly salary of \$2,000 to be paid at the end of each month. Unpaid amounts will accrue annual interest of 6%. The term of the Consulting Agreement is for two years; renewable upon mutual consent.

On November 13, 2017, the Company issued 8,333 restricted common shares for \$25,000 in share-based compensation that were valued at \$95,000 based on the market value on the date of issuance, and \$70,000 was recorded as a loss on settlement of debt.

On January 2, 2018, the Company approved an increase in salary to \$3,000 per month.

During the six months ended June 30, 2019, the Company accrued wages of \$18,000 in connection with his agreement.

9. INCOME TAXES

Deferred income taxes are determined using the liability method for the temporary differences between the financial reporting basis and income tax basis of the Company's assets and liabilities. Deferred income taxes are measured based on the tax rates expected to be in effect when the temporary differences are included in the Company's tax return. Deferred tax assets and liabilities are recognized based on anticipated future tax consequences attributable to differences between financial statement carrying amounts of assets and liabilities and their respective tax bases.

Operating loss carry forwards generated during the period from May 25, 2014 (date of inception) through June 30, 2019 of approximately \$9,715,770 will begin to expire in 2034. The Company applies a statutory income tax rate of 21%. Accordingly, deferred tax assets related to net operating loss carry-forwards total approximately \$2,040,312 at June 30, 2019.

All tax years since inception are open to examination by the Internal Revenue Service.

10. COMMITMENTS AND CONTINGENCIES

(1). IR Agreement

On March 28, 2017, the Company entered into an investor relations agreement with a third party, whereby the third party will provide advertising, promotional and marketing services for the Company between April 1, 2017 and July 1, 2017. In consideration of the foregoing services performed by the third party, the Company will pay a fee of 640 restricted shares on or before April 1, 2017. In addition, the third party will remain the owner of at least 1% of the company's outstanding shares for a 1-year period. On April 1, 2018, the Company shall issue additional shares as necessary to bring the total number of shares paid to the third party to equal 1% of the outstanding shares of common stock as of 4/1/2018. In the event the Company does not issue the shares as required under this provision, the Company will be subject to a penalty of \$5,000 per month until the shares are issued.

16

640 shares were issued on March 28, 2017 and valued at the fair market value on the date of grant totaling \$96,000, which amount has been expensed as stock-based compensation as part of consulting expenses.

7,248 shares were issued on March 27, 2018 and valued at the fair market value on the date of grant totaling \$39,139, which amount has been expensed as stock-based compensation as part of consulting expenses.

In respect to the investor relations agreement, 5 additional shares have been allocated for issuance effective May 16, 2017, and \$825 has been expensed as stock-based compensation as part of consulting expenses due to 500 shares of common stock issued to a consultant.

The 5 shares were not issued as of June 30, 2019, and \$825 is recorded on the balance sheet as liabilities for unissued shares.

(2). Consultant Agreement

On January 24, 2018, the Company entered into a Consulting Agreement with BAS1. The Company has agreed to pay BAS1 a fee of \$10,000 for a 30-day marketing awareness program.

As of June 30, 2019, the Company paid of \$7,500 to the advisor in respect to this agreement.

(3). Distribution Agreement

On February 23, 2018, the Company entered into an Exclusive Agreement for Distribution with a west coast distributor, whereby the distributor will exclusively distribute all Pet CDB Products owned by the Company. Furthermore, the distributor will purchase \$3,000,000 of product at negotiable prices for a period of 24 months for distribution. As of June 30, 2019, this agreement is in affect.

On April 3, 2018, the Company agreed to enter in to a 12-month exclusive agreement with a west coast distributor, whereas the distributor has agreed to purchase \$6.5M on Oral Pet Sprays from Vet Online Supply Inc. during the next 12 months. Vet Online Supply is allowing an exclusive agreement to purchase and place our CBD Pet products in California marijuana dispensaries through April 3, 2019. On April 3, 2019, the Company chose not to extended the agreement.

(4). Consultant Agreement

On March 1, 2018, the Company executed a Consulting Agreement whereby the Consultant will receive a retainer of \$50,000 per month for nine months to revise an online retail website, Private-Label product contract and distribution for veterinarian supplies and holistic based pet products.

On March 15, 2018, the Company agreed to engage in an additional contract with the consultant for \$200,000.

On October 1, 2018, the Company executed an additional Consulting Agreement whereby the Consultant will receive a fee of \$350,000 to expand the business product sales, marketing and new product development, develop new distribution channels, and the development of a new subsidiary providing services in Cryptocurrency. This involves negotiating contracts, raising capital with new funding partners, and establishing the criteria to expand the Company's business model.

As of June 30, 2019, the Company paid of \$448,050 to the advisor in respect of these agreements. The balance due on these agreements is \$151,950 and is due on or before December 31, 2019.

(5). Consultant Agreement

On August 1, 2018, the Company entered into a National Sales Rep Agreement for a period of three years, to recruit and manage new sales representatives. In consideration of services performed, the Company will pay a commission of 25% of gross proceeds to be paid in cash, and 10% of gross proceeds to be paid in restricted common stock. In addition, the Company has agreed to pay a fee of \$25,000 in the form of restricted common stock upon signing of the Agreement.

The Company recorded \$25,000 in respect to the value of unissued shares as liabilities for unissued shares and expensed \$25,000 as stock-based compensation as part of consulting expenses. At June 30, 2019 the shares remained unissued.

11. SUBSEQUENT EVENTS

On July 22, 2019, the Company appointed Samuel Berry as the Chief Financial Officer of the company. Mr. Berry was appointed as a Director on June 19, 2017. For accepting the position of CFO, Mr. Berry will receive \$45,000 annual salary.

On July 22, 2019, the Company entered in a Convertible Promissory Note with Auctus Fund LLC in the amount of \$31,000. The note is unsecured, bears interest at 12% per annum, and matures on April 22, 2020.

17

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

The following discussion and analysis summarizes the significant factors affecting our consolidated results of operations, financial condition and liquidity position for the three ended June 30, 2019. This discussion and analysis should be read in conjunction with our audited financial statements and notes thereto included in our Annual Report on Form 10-K for our year-ended December 31, 2018 and the consolidated unaudited financial statements and related notes included elsewhere in this filing. The following discussion and analysis 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.

FORWARD-LOOKING STATEMENTS

This quarterly report contains forward-looking statements relating to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as "may", "should", "intends", "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 which may cause our or our industry's actual results, levels of activity or performance to be materially different from any future results, levels of activity or performance 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 or performance. You should not place undue reliance on these statements, which speak only as of the date that they were made. These cautionary statements should be considered with any written or oral forward-looking statements that we may issue in the future. 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, later events or circumstances or to reflect the occurrence of unanticipated events.

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

The management's discussion and analysis of our financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP").

As used in this quarterly report, the terms "we", "us", "our", and "our company" means Vet Online Supply, Inc., unless otherwise indicated.

18

Corporate Information

Vet Online Supply Inc. (the "Company") is a Florida corporation incorporated on May 31, 2014. The Company engages in the online sale of its own holistic product line for pets, as well as targeting the larger Big-Box Pet retail suppliers, and during the first quarter of 2018, discontinued its legacy veterinarian supplies lines. The company discontinued its legacy line of products to increase margins and profitability with its own brand-name holistic products. These new holistic pet products are designed to help with arthritis, compromised immune systems, stress responses, aggression and digestive issues and may also be useful in treating acute ailments like sprains and strains, torn ligaments, bone breaks and even during post-operative care to reduce swelling, pain and stiffness. The Company's web-based eCommerce platform with our products is on our website, www.vetonline-supplies.com. The website gives our potential clients the ability to purchase quality pet products by placing their order any time of day at their convenience.

Distribution channels include its existing online retail sales platform and fulfillment, and direct sales through its global manufacturing sales representative network. Although selling pet products online is not entirely new to the company, we anticipate that this medium will continue to grow as our brand continues to achieve recognition. We believe that by providing high quality holistic pet products at competitive prices and to customers online, Vet Online Supply hopes to become a 'go-to' solution for pet owners everywhere. In addition, online vs. catalogue has the benefit of, among other things, search tools and accounts that remember previous purchases, and expedited ordering.

We hope to realize our full plan of operations by raising additional capital through the sale of our securities, and other financing strategies to fully implement our marketing plan. While we have designed a full marketing strategy to gain brand awareness, with a goal of developing a large opt-in customer base we have not yet raised sufficient capital to implement this strategy.

Other than as set out herein, we have not been involved in any bankruptcy, receivership or similar proceedings, nor have we been a party to any material reclassification, merger, consolidation or purchase or sale of a significant amount of assets not in the ordinary course of our business.

Liquidity and Capital Resources

The following discussion of our financial condition and results of operations should be read in conjunction with our unaudited financial statements for the six months ended June 30, 2019 and audited financial statements for the year ended December 31, 2018, along with the accompanying notes, as filed with the Securities and Exchange Commission on Form 10-K on April 15, 2019.

Results for the Three Months Ended June 30, 2019 Compared to the Three Months Ended June 30, 2018

Revenues:

The Company's revenues were \$395 for the three months ended June 30, 2019 compared to \$2,046 for the three months ended June 30, 2018.

Cost of Sales:

The Company's cost of sales was \$289 for the three months ended June 30, 2019 compared to \$1,093 for the three months ended June 30, 2018. The decrease was due to fewer customer orders.

Operating Expenses:

Operating expenses consisted primarily of consulting fees, professional fees, salaries and wages, office expenses and fees associated with preparing reports and SEC filings relating to being a public company. Operating expenses for the three months ended June 30, 2019, and June 30, 2018 were \$63,308 and \$255,243, respectively. The decrease was primarily attributable to consulting fees accrued during the three months ended June 30, 2018. There were no new consulting agreements executed during the three months ended June 30, 2019.

19

Other Income (Expense):

Other income (expense) for the three months ended June 30, 2019 and June 30, 2018 was \$(19,261) and \$12,772, respectively. Other income (expense) consisted of gain or loss on derivative valuation and interest expense. The gain or loss on derivative valuation is directly attributable to the change in fair value of the derivative liability. Interest expense is primarily attributable the initial interest expense associated with the valuation of derivative instruments at issuance and the accretion of the convertible debentures over their respective terms. The variance primarily resulted from the fluctuation of the Company's stock price which impacted the

valuation of the derivative liabilities on the convertible debt.

Net Loss:

Net loss for the three months ended June 30, 2019 was \$82,463 compared with \$241,518 for the three months ended June 30, 2018. The decreased net loss can be explained by the decrease in operating expenses, and the gain in fair value of the derivative instruments in the three months ended June 30, 2019.

Results for the Six months Ended June 30, 2019 Compared to the Six months Ended June 30, 2018

Revenues:

The Company's revenues were \$1,365 for the six months ended June 30, 2019 compared to \$3,014 for the six months ended June 30, 2018.

Cost of Sales:

The Company's cost of sales was \$847 for the six months ended June 30, 2019 compared to \$1,525 for the six months ended June 30, 2018.

Operating Expenses:

Operating expenses consisted primarily of consulting fees, professional fees, salaries and wages, office expenses and fees associated with preparing reports and SEC filings relating to being a public company. Operating expenses for the six months ended June 30, 2019 and June 30, 2018 were \$101,051 and \$737,726, respectively. The decrease was primarily attributable to consulting fees accrued during the six months ended June 30, 2018. There were no new consulting agreements executed during the six months ended June 30, 2019.

Other Income (Expense):

Other income (expense) for the six months ended June 30, 2019 and June 30, 2018 was \$(182,023) and \$(3,459,385), respectively. Other income (expense) consisted of gain or loss on derivative valuation and interest expense. The gain or loss on derivative valuation is directly attributable to the change in fair value of the derivative liability. Interest expense is primarily attributable the initial interest expense associated with the valuation of derivative instruments at issuance and the accretion of the convertible debentures over their respective terms. The variance primarily resulted from the fluctuation of the Company's stock price which impacted the valuation of the derivative liabilities on the convertible debt.

Net Loss:

Net loss for the six months ended June 30, 2019 was \$282,556 compared with \$4,195,622 for the six months ended June 30, 2018. The decreased net loss can be explained by the decrease in operating expenses, and the gain in fair value of the derivative instruments in the six months ended June 30, 2019.

Impact of Inflation

We believe that the rate of inflation has had a negligible effect on our operations.

Liquidity and Capital Resources

	June 30, 2019	December 31, 2018
	\$	\$
Current Assets	18,395	31,600
Current Liabilities	2,873,307	2,791,251
Working Capital (Deficit)	(2,854,912)	(2,759,651)

As of June 30, 2019, we had \$903 and \$18,395 in cash and total assets, as well as \$2,873,307 in total liabilities as compared to \$10,640 and \$31,600 in cash and total assets, and \$2,791,251 in total liabilities as of December 31, 2018. The decrease in assets was due to a decrease in borrowings. The increase in total liabilities was primarily attributed to the increase in accounts payable and note payable accrued interest.

The Company requires additional capital to fully execute its marketing program and increase revenues. Presently we are relying on short term loans from our sole officer and director to meet operational shortfalls. There can be no assurance that continued funding will be available on satisfactory terms. We intend to raise additional capital through the sale of equity, loans or other short-term financing options.

	June 30, 2019	June 30, 2018
	\$	\$
Cash Flows from (used in) Operating Activities	(93,071)	(691,462)
Cash Flows from (used in) Investing Activities	—	—
Cash Flows from (used in) Financing Activities	83,334	721,168
Net Increase (decrease) in Cash During Period	(9,737)	29,706

During the six months ended June 30, 2019, cash used in operating activities was \$(93,071) compared to \$(691,462) for the six months ended June 30, 2018. The decrease primarily resulted from a decrease in consulting fees and interest expenses in 2019.

During the six months ended June 30, 2019 cash used in investing activities was \$0 compared to \$0 for the six months ended June 30, 2018.

During the six months ended June 30, 2019, cash from financing activity was \$83,334 compared to \$721,168 for the six months ended June 30, 2018. The decrease in cash from financing activity primarily resulted from a decrease in the proceeds from convertible debt during the six months ended June 30, 2019.

Contractual Obligations

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and are not required to provide the information under this item.

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, capital expenditures or capital resources that are material to stockholders.

Critical Accounting Policies and Estimates

The preparation of our financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an on-going basis, management evaluates its estimates and judgments which are based on historical experience and on various other factors that are believed to be reasonable under the circumstances. The results of their evaluation form the basis for making judgments about the carrying values of assets and

Recent Accounting Pronouncements

The Company has implemented all new accounting pronouncements that are in effect and that may impact its financial statements and does not believe that there are any other new accounting pronouncements that have been issued that might have a material impact on its financial position or results of operations.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

A smaller reporting company is not required to provide the information required by this Item.

ITEM 4. CONTROLS AND PROCEDURES

Management's Report on Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports filed under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our president and chief financial officer (our principal executive officer, principal financial officer and principal accounting officer) to allow for timely decisions regarding required disclosure.

As of the end of the quarter covered by this report, we carried out an evaluation, under the supervision and with the participation of our president and chief financial officer (our principal executive officer, principal financial officer and principal accounting officer), of the effectiveness of the design and operation of our disclosure controls and procedures. Based on the foregoing, our president and chief financial officer (our principal executive officer, principal financial officer and principal accounting officer) concluded that our disclosure controls and procedures were not effective as of the end of the period covered by this quarterly report. Our company is in the process of adopting specific internal control mechanisms to ensure effectiveness as we grow, and we will work to retain additional qualified individuals to ensure a proper segregation of duties. We have engaged an outside consultant to assist in adopting new measures to improve upon our internal controls. Future controls, among other things, will include more checks and balances and communication strategies between the management and the board, once we are able to secure additional board members, to ensure efficient and effective oversight over company activities as well as more stringent accounting policies to track and update our financial reporting.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the quarterly period covered by this report 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 know of no material, existing or pending legal proceedings against us, nor are we involved as a plaintiff in any material proceeding or pending litigation. There are no proceedings in which any of our directors, officers or affiliates, or any registered or beneficial shareholder, is an adverse party or has a material interest adverse to our company.

ITEM 1A. RISK FACTORS

A smaller reporting company is not required to provide the information required by this Item.

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

Quarterly Issuances

None.

In respect of the aforementioned convertible loan agreement(s) and the underlying shares, as well as shares issued to a director and consultant, the Company will claim an exemption from the registration requirements of the Securities Act of 1933, as amended, for the issuance of the shares pursuant to Section 4(2) of the Act and/or Rule 506 of Regulation D promulgated thereunder since, among other things, the transaction does not involve a public offering, the purchasers are "accredited investors" and/or qualified institutional buyers, the purchasers have access to information about the Company and its purchase, the purchasers will take the securities for investment and not resale.

Other than as disclosed above, there were no unregistered securities to report which were sold or issued by the Company without the registration of these securities under the Securities Act of 1933 in reliance on exemptions from such registration requirements, within the period covered by this report, which have not been previously included in a Quarterly Report on Form 10-Q or a Current Report on Form 8-K.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit Number	Description
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10.1	Securities Purchase Agreement and Convertible Note with EMA Financial, LLC, dated May 1, 2017
10.2	Securities Purchase Agreement and Convertible Note with Crown Bridge Partners LLC dated May 8, 2017
10.3	Securities Purchase Agreement and Convertible Note with Power Up Lending Group dated May 22, 2017

10.4	Securities Purchase Agreement and Convertible Note with LG Capital dated May 25, 2017
10.5	Securities Purchase Agreement and Convertible Note with Auctus Fund LLC dated June 16, 2017
10.6	Securities Purchase Agreement and Back End Convertible Note with Crown Bridge Partners LLC dated June 19, 2017
10.7	Convertible Promissory Note with LG Capital dated August 10, 2017
10.8	Convertible Promissory Note with APG Capital Holdings LLC dated November 20, 2017
10.9	Convertible Promissory Note with Power Up Lending Group dated November 20, 2017
10.10	Convertible Promissory Note with EMA Financial, LLC dated December 15, 2017
10.11	Convertible Promissory Note with Auctus Fund LLC dated January 1, 2018
10.12	Convertible Promissory Note with Auctus Fund LLC dated February 6, 2018
10.13	Convertible Promissory Note with Emerging Corporate Capital Financing, Inc. dated February 12, 2018
10.14	Convertible Promissory Note with Power Up Lending Group dated February 28, 2018
10.15	Convertible Promissory Note with EMA Financial, LLC dated March 5, 2018
10.16	Convertible Promissory Note with Power Up Lending Group dated April 12, 2018
10.17	Convertible Promissory Note with Power Up Lending Group dated May 3, 2018
10.18	Convertible Promissory Note with Auctus Fund LLC dated June 14, 2018
10.19	Convertible Promissory Note with Power Up Lending Group dated June 25, 2018
10.20	Convertible Promissory Note with APG Capital Holdings dated June 25, 2018
10.21	Convertible Promissory Note with Auctus Fund LLC dated August 13, 2018
31.1	Certification of the Chief Executive Officer required under Rule 13a-14(a)/15d-14(a) of the Exchange Act*
31.2	Certification of the Chief Financial Officer required under Rule 13a-14(a)/15d-14(a) of the Exchange Act*
32.1	Certification of the Chief Executive Officer and Chief Financial Officer required under Section 1350 of the Exchange Act*
101.INS	XBRL Instance Document*
101.SCH	XBRL Taxonomy Extension Schema*
101.CAL	XBRL Taxonomy Extension Calculation Linkbase*
101.DEF	XBRL Taxonomy Extension Definition Linkbase*
101.LAB	XBRL Taxonomy Extension Label Linkbase*
101.PRE	XBRL Taxonomy Extension Presentation Linkbase*

* Filed herewith

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.

VET ONLINE SUPPLY, INC.

Date: August 14, 2019

By: /s/ Daniel Rushford

Name: **Daniel Rushford**

Title: President, Chief Executive Officer, Chief Financial Officer, Director

CERTIFICATION OF THE PRINCIPAL EXECUTIVE OFFICER PURSUANT TO RULE 13a-14

I, Daniel Rushford, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Vet Online Supply Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act 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 my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO RULE 13a-14

I, Daniel Rushford, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Vet Online Supply Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act 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 my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 13, 2019
/s/ Daniel Rushford
By: Daniel Rushford
Its: Principal Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Vet Online Supply Inc. (the "Company") on Form 10-Q for the period ending June 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Daniel Rushford, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge and belief:

- (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 result of operations of the Company.

/s/ Daniel Rushford
By: Daniel Rushford
Principal Executive Officer and Principal Financial Officer
Dated: August 13, 2019

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.

