



**Paychest, Inc.**  
(an Arizona corporation)

CUSIP: 704289107    SYMBOL: PYCT

1B GLAMOUR COURT, 1 DISCOVERY BAY ROAD, DISCOVERY BAY  
LANTAU, HONG KONG SAR

Tel: 714 274 7206

[info@paychest.com](mailto:info@paychest.com)

[www.paychest.com](http://www.paychest.com)

## QUARTERLY REPORT

Quarterly Company Information and Updated Disclosure Statement June 30, 2012

August 13<sup>th</sup>, 2012

## Current Information Regarding

# Paychest, Inc.

The following information is provided to assist securities brokerage firms and other market participants with current information regarding Paychest, Inc. (“we,” “us,” “our”, “Paychest” or the “Company”). This Company information is intended to follow the Alternative Reporting Standard Guidelines for Quarterly Reporting Obligations as published by the OTC Markets Group, Inc.

### **Part A            General Company Information**

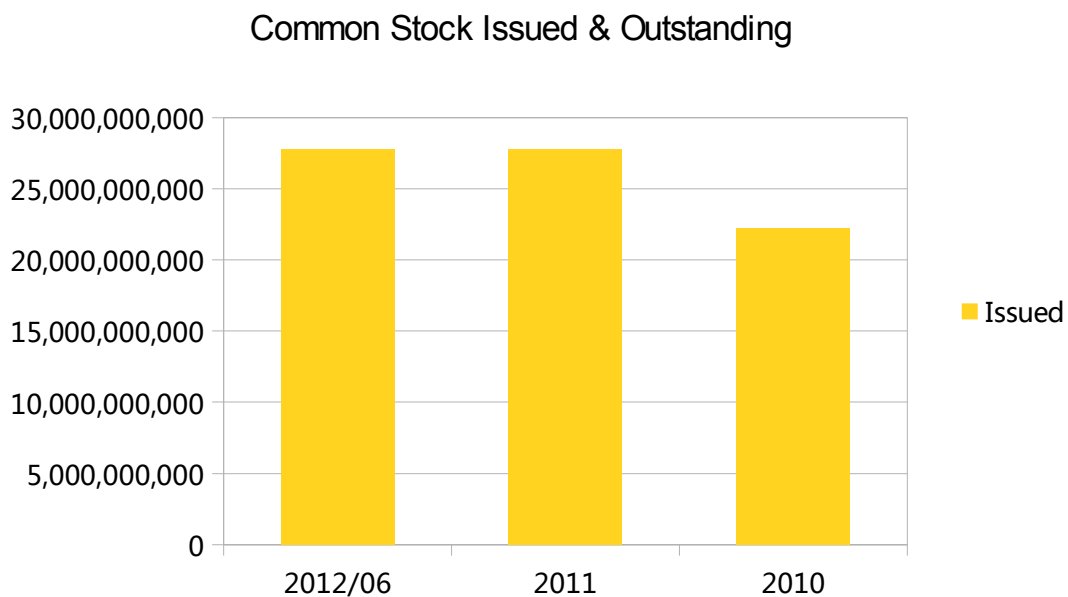
#### **ITEM 1. THE EXACT NAME OF THE ISSUER.**

The exact name of the issuer is Paychest, Inc. The Company has not changed its name in the past five (5) years.

The address of its principal executive office is:

1B Glamour Court  
1 Discovery Bay Road  
Discovery Bay  
Lantau  
Hong Kong SAR  
P.R. China  
Tel: +1 714 274 7206  
Email: [info@paychest.com](mailto:info@paychest.com)

#### **ITEM 2. THE NUMBER OF SHARES OR TOTAL AMOUNT OF SECURITIES OUTSTANDING FOR EACH CLASS OF SECURITIES AUTHORIZED.**



### Preferred Class A & B - Issued

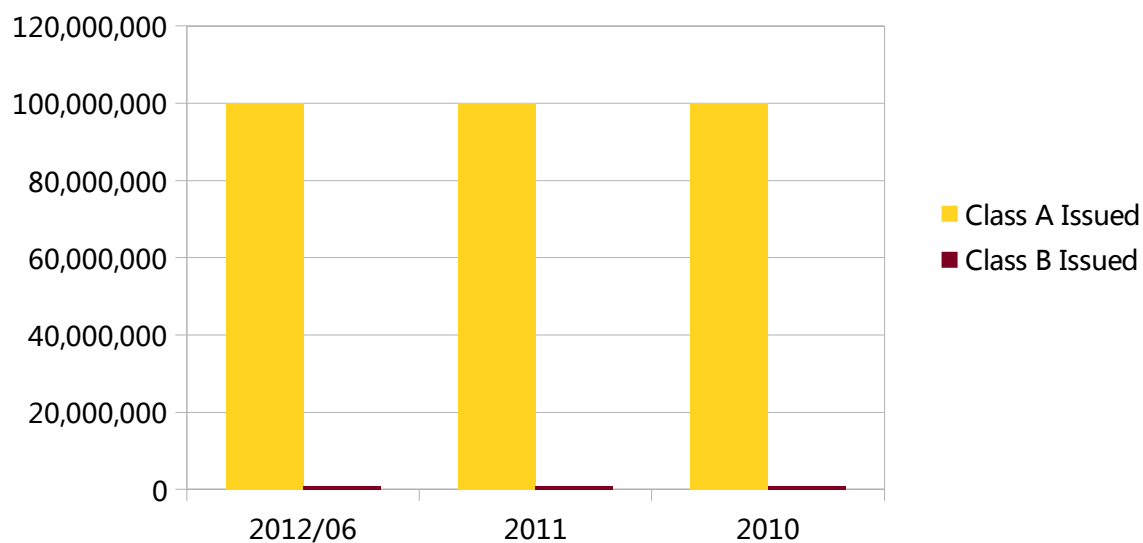


Table detail.

Jun 30, 2012	Issued & Outstanding	Authorized	Tradable	Shareholders of Record
Common	27,785,264,936	28,000,000,000	Yes	40
Preferred Class A	100,000,000	900,000,000	No	1
Preferred Class B	920,000	900,000,000	No	21

Dec 31, 2011	Issued & Outstanding	Authorized	Tradable	Shareholders of Record
Common	27,785,264,936	28,000,000,000	Yes	40
Preferred Class A	100,000,000	900,000,000	No	1
Preferred Class B	920,000	900,000,000	No	21

Dec 31, 2010	Issued & Outstanding	Authorized	Tradable	Shareholders of Record
Common	22,250,332,340	25,000,000,000	Yes	31
Preferred Class A	100,000,000	100,000,000	No	1
Preferred Class B	800,000	100,000,000	No	11

### **ITEM 3. INTERIM FINANCIAL STATEMENTS**

The financial statements are attached at the end of this Quarterly Information Statement. The statements include Balance Sheet, Profit & Loss, Stockholder Equity, Cash Flow and other reports.

### **ITEM 4. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION**

This disclosure report contains a number of forward-looking statements, including statements about our financial conditions, results of operations, earnings outlook and prospects. Forward looking statements are typically identified by words such as "plan," "believe," "expect," "anticipate," "intend," "outlook," "estimate," "forecast," "project," "will," "seek" and other similar words and expressions. The forward-looking statements involve certain risks and uncertainties. Our ability to predict results or the actual effects of our plans and strategies is subject to inherent uncertainty. The execution of the company's business plans are predicated upon receipt of financing, which may never be obtained. Factors that may cause actual results or earnings to differ materially from such forward-looking statements include those set forth below in this disclosure statement under the heading "Risk Factors." Because these forward-looking statements are subject to assumptions and uncertainties, actual results may differ materially from those expressed or implied by these forward looking statements. You are cautioned not to place undue reliance on these statements, which speak only as of the date of this disclosure statement.

#### A. Plan of Operation

Paychest, Inc., an Arizona corporation with offices in Hong Kong, is primarily in the business of licensing environmentally friendly or non-polluting technologies, developing, and commercializing them.

The Company's first product in 2006 was an electronic payments system.

In 2008 we acquired licensing rights to Flushaway, an environmentally friendly range of women's sanitary products with demonstrated evidence of consumer and retailer acceptance and a history of sales in the USA, UK, South Africa, Australia and Hong Kong. The new improved product is in production as announced November 10, 2011, with our production partner, Xinpro Manufacturing, in China. We have registered a new Paychest owned, brand name, and the Company is currently negotiating purchase orders. The Company anticipates sales in the retail and institutional sectors and across a range of territories although the initial focus is on North America and Europe. Our product provides the unique features of being both flushable and biodegradable eliminating disposal issues for the consumer.

The Company has identified several other environmentally friendly and non-polluting technologies that could be licensed and commercialized that will be pursued as the current project starts to achieve sales.

#### **Corporate Mission**

The mission of Paychest is to grow steadily and become a premier environmental business incubator and holding company. Assuming the fulfillment of its projected working capital requirements, the Company's financial objective is to achieve on-going revenue per acquired

technology after all costs have been recouped.

Our business strategy is to enhance the Company's value primarily through the acquisition of licenses or technologies, development and commercialization in those areas where there is demonstrable and significant environmental benefit alongside good potential earnings. To achieve this we look for technologies where product demand is

- evidenced
- stable
- sizable
- uncompromised by the licensed technology being introduced
- economical

and where there is existing infrastructure that will support getting the product to market.

We believe this strategy delivers significant value and reduces the risks associated with bringing new non-polluting and environmentally friendly products to market.

Unlike companies that research new technologies and products from scratch our focus is to license or acquire technologies that have been used in some form to eliminate and manage the many risks that are associated with new technology development and commercialization.

#### Management's Objectives

Our objective is to grow steadily, executing each project in turn, and become a leading environmental products business. Assuming the fulfillment of its projected working capital requirements, the Company's financial objective is to achieve on-going revenue per technology asset after all costs have been recouped.

#### Licensing and Acquisition Strategy

The Company believes that the market for non-polluting and environmentally friendly technologies will continue to increase, especially with growing consumer awareness, increasing political motivation and increasing environmental regulation and tariffs.

The Company has made losses in each year of its history and is dependent on external funding to execute its business plan, and the Flushaway Project, until profits allow the Company to operate independently. In the current economic climate there is a risk the external funding, provided by external lenders, might be slowed or halted. This raises doubt over the Company's ability to sustain itself. While the Company continues to locate alternative and supplementary funding sources as a way of mitigating this risk there is no guarantee that other sources of funding will be forthcoming. If funding stopped and no alternative funding was put in place the Company would not be able to continue.

The Company anticipates carrying out some research, development and production implementation work as it moves beyond the initial products of sanitary pads and liners into the next range of products to be launched.

Except that we have signed a letter of intent to acquire the film manufacturing from Xinpro Manufacturing, there is no purchase or sale of plant anticipated. Until such time as we complete negotiations with Xinpro we expect associated costs will continue to be carried by them.

Any increase in employee headcount will come primarily by the increase in sales staff and, to a lesser degree, from co-ordination activities.

## B. Managements Discussion and Analysis of Financial Condition and Results of Operations

The Company is not obliged to complete this section (b) but has done so in part as some sections are believed to be relevant as the Company starts to make sales.

The Company has made losses in each year of the last two fiscal years as it has completed research and implementation improvements in the Flushaway and Mibella product range.

These losses have continued through the first and second quarters of 2012 as the Company focused on improving disclosure and sales. Management believe these are appropriate improvements in the business that shareholders and the market should see as increasing value.

The Company was reporting "Current" in its Pink OTC reporting following the filing of its 2011 Annual Report and attorneys letter, and the Company received its first purchase order for \$1.2 million of Mibella® product as announced in April, 2012.

The Company has been delayed in pursuing this due to a small core team that has been addressing a temporary 'chill' imposed by the Depository Trust Company and the extended absence of the President, for personal reasons. As far as the Company can tell, the temporary chill was triggered as a result of an increase in issued and outstanding shares, caused by preferred shareholders converting.

Looking forward, the Company continues to focus its efforts on making product sales and anticipates that, once past the summer vacation months, other purchase orders being negotiated will come to fruition.

As previously reported, it is Managements opinion that the increased costs of doing business are a necessary part of building Paychest into a self-sustaining business with product sales, cash flow and profits.

The primary uncertainties for the business going forward are resolving the DTC Chill, ensuring funding is in place for marketing, purchase order finance and accounts receivable finance that will be needed for a segment of the customer group, and the Company's ability to scale fast enough as demand for the product grows. While the Company and its manufacturing partner, Xinpro Manufacturing, have spent a significant amount of time and effort on amending the product design and manufacturing process to ensure scalability, the Company does not have the resources to thoroughly test its scalability plans.

Liquidity has mostly come from lenders to the Company. While we have a DTC Chill lenders, who receive preferred convertible shares, are cautious about as they potentially have no exit. Consequently management has been focused on addressing the DTC Chill and is hopeful of this being lifted. Also, as discussed in our First Quarter Report, with the current issued and outstanding the Company needs to be cautious increasing the authorized common stock further or irreparably damaging the market liquidity of our Common Stock.

The Company does not have any material commitments for capital expenditures. However, the Company has signed a letter of intent to acquire all or part of Xinpro Manufacturing to increase oversight, drive more profits into the Paychest business, and diversify its revenue stream and risks.

There are no known trends, events or uncertainties that have had or that are expected to have a material impact on the net sales or revenues, or income.

The Company does not foresee elements of income (or loss) that do not arise from continuing operations.

The women's sanitary product range is not effected by seasonality and is relatively unaffected by economic conditions.

#### C. Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements

#### **ITEM 5. LEGAL PROCEEDINGS**

The Company has no current or pending legal proceedings.

#### **ITEM 6. DEFAULTS UPON SENIOR SECURITIES**

In the last three years, the Company has not defaulted on any note, loan, lease or other indebtedness or financing arrangement where payments were required.

The Company has not had any material arrearage in the payment of dividends or any default on any class of preferred share.

#### **ITEM 7. OTHER INFORMATION**

The Company purchased 100,000,000 common shares in February 2012. These shares have not completed a return or retirement process and are pending.

#### **ITEM 8. EXHIBITS**

## **Balance Sheet**

(Unaudited)

	<u>Jun 30, 12</u>	<u>Dec 31, 11</u>
<b><u>ASSETS</u></b>		
Current Assets		
Cash	-	-
Advance	\$200,000	\$200,000
Total Current Assets	<u>200,000</u>	<u>200,000</u>
Equipment and Intellectual Property – Note 2	474,314	474,314
Flushaway Goodwill and Marketing Asset	5,000,000	5,000,000
Equity Investments, net – Note 2	2,146,299	2,146,299
<b>Total Assets</b>	<b><u>\$7,820,613</u></b>	<b><u>\$7,820,613</u></b>
<b><u>LIABILITIES AND STOCKHOLDERS EQUITY</u></b>		
Current Liabilities		
Accounts Payable	\$564,210	\$413,673
Non Current Liabilities	5,600,000	5,600,000
Total Liabilities	<u>6,164,210</u>	<u>6,013,673</u>
Stockholders Equity		
Common Stock, authorized at \$0.0001 par value 28,000,000,000. Issued and outstanding on December 31, 2011 are 27,785,264,936		
Common Stock issued and outstanding on June 30, 2012 are 27,785,264,936	22,440,199	22,440,199
Preferred Stock issued and outstanding on December 31, 2011 are 100,920,000		
Preferred Stock issued and outstanding on June 30, 2012 are 100,920,000	1,020,000	1,020,000
Paid in Capital	25,087,892	25,087,892
Accumulated Deficit	(46,891,687)	(46,741,151)
Total Stockholders Equity	<u>1,656,403</u>	<u>1,806,940</u>
<b>Total Liabilities and Stockholders' Equity</b>	<b><u>\$7,820,613</u></b>	<b><u>\$7,820,613</u></b>



## **Profit and Loss Statement**

(Unaudited)

	<b>Three Months Ended</b>	
	<b><u>Jun 30, 12</u></b>	<b><u>Jun 30, 11</u></b>
Income		
Sales	<u>\$0</u>	<u>\$0</u>
Operating Expenses		
Sales and Marketing Expenses	-	-
General and Administrative	72,822	46,301
Depreciation	<u>-</u>	<u>-</u>
Total Expenses	<u>72,822</u>	<u>46,301</u>
Operating Loss	(72,822)	(46,301)
Other Revenue		
Dividend Income	-	-
Impairment Loss	<u>-</u>	<u>-</u>
<b>(Loss) before Provision</b>	<u>          </u>	<u>          </u>
<b>for Income Taxes</b>	<u><b>\$(72,822)</b></u>	<u><b>\$(46,301)</b></u>
Loss per common share, basic and diluted	<u>\$0.00</u>	<u>\$0.00</u>
Number of Common Shares	<u>27,785,264,936</u>	<u>22,374,345,625</u>

The accompanying notes are an integral part of these statements

# **Consolidated Statement of Stockholders Equity**

(Unaudited)

	Common Stock		Preferred Stock		Treasury Stock	Accumulated (Deficit)	Paid in Capital	Total Equity
	Shares	Amount	Shares	Amount				
<b>Balance, May 4, 2000 (Inception)</b>	-	\$ -	-	\$ -	\$ -	\$ -	\$ -	\$ -
Net (Loss)						(4,561)		(4,561)
<b>Balance, December 31, 2000</b>						<b>(4,561)</b>		<b>(4,561)</b>
Net (Loss)						(36,850)		(36,850)
<b>Balance, December 31, 2001</b>						<b>(41,411)</b>		<b>(41,411)</b>
Net (Loss)						(43,782)		(43,782)
<b>Balance, December 31, 2002</b>						<b>(85,193)</b>		<b>(85,193)</b>
Common Shares issued to founders for services	2,600,000,000	2,600,000					(2,390,470)	209,530
Common Shares issued for Equity investment	5,000,000,000	5,000,000					11,678,098	16,678,098
Paid In Capital							30,196,902	30,196,902
Net (Loss)						(45,919,940)		(45,919,940)
<b>Balance, December 31, 2003</b>	<b>7,600,000,000</b>	<b>7,600,000</b>	-	-	-	<b>(46,005,133)</b>	<b>39,484,530</b>	<b>1,079,397</b>
Common Shares issued for Cash	3,154,300,000	3,154,300					(2,700,245)	454,055
Common Shares issued for Service	1,468,714,285	1,468,714					(479,324)	989,390
Common Shares issued for Equity investment	550,000,000	550,000					1,289,590	1,839,590
Net (Loss)						(2,236,057)		(2,236,057)
<b>Balance, December 31, 2004</b>	<b>12,773,014,285</b>	<b>12,773,014</b>	-	-	-	<b>(48,241,190)</b>	<b>37,594,551</b>	<b>2,126,375</b>
Common Shares issued for Service	500,000,000	500,000					(400,000)	100,000
Common Shares issued for Cash	1,726,985,715	1,726,986					(1,586,146)	140,840
Net (Loss)						(523,653)		(523,653)
<b>Balance, December 31, 2005</b>	<b>15,000,000,000</b>	<b>15,000,000</b>	-	-	-	<b>(48,764,843)</b>	<b>35,608,405</b>	<b>1,843,562</b>
Common Shares issued for Acquisition	2,000,000,000	2,000,000						2,000,000
Common Shares issued for Cash	2,885,000,000	2,885,000						2,885,000
Common Shares issued for Service	2,661,534,385	2,661,534						2,661,534
Common Share Settlement	(1,500,000,000)	(1,500,000)						(1,500,000)
Preferred non trading stock		200,000						200,000
Paid In Capital							(5,411,503)	(5,411,503)
Net (Loss)						(301,410)		(301,410)
<b>Balance, December 31, 2006</b>	<b>22,546,534,385</b>	<b>21,246,534</b>	-	-	-	<b>(49,066,253)</b>	<b>30,196,902</b>	<b>2,377,183</b>
Accumulated Deficit Adjustment (Note 2)						3,905,213		3,905,213
Preferred non trading stock		200,000						200,000
Common Share Adjustment - Stock Audit	(4,105,213,000)	(4,105,214)					820	(4,104,394)
Net (Loss)						(8,522)		(8,522)
<b>Balance, December 31, 2007</b>	<b>16,941,321,385</b>	<b>17,341,320</b>	-	-	-	<b>(45,169,562)</b>	<b>30,197,722</b>	<b>2,369,480</b>

Preferred non trading stock		200,000					200,000	
Common Shares Paid for Notes	1,150,000,000	1,150,000		(1,150,000)		(1,150,000)	-	
Common Shares for Service	1,559,009,955	1,559,009		(1,559,009)		(1,759,829)	(200,820)	
Net (Loss)						(98,591)	(98,591)	
<b>Balance, December 31, 2008</b>	<b>19,650,331,340</b>	<b>20,250,329</b>	<b>-</b>	<b>-</b>	<b>(2,709,009)</b>	<b>(45,268,153)</b>	<b>27,287,893</b>	<b>2,270,070</b>
Adjustment for shares not returned In 2006	2,200,000,000	2,200,001				(2,200,001)	-	
Common Share delivery recorded in prior year				2,709,009			-	
Preferred non-convertible non-trading stock reclassification for 2005-7		(200,000)	100,000,000	200,000			-	
Preferred convertible non-trading stock reclassification for 2006-7		(400,000)	400,000	400,000			-	
Preferred convertible non-trading stock			200,000	200,000			200,000	
Net (Loss)						(210,865)	(210,865)	
<b>Balance, December 31, 2009</b>	<b>21,850,331,340</b>	<b>21,850,330</b>	<b>100,600,000</b>	<b>800,000</b>	<b>-</b>	<b>(45,479,018)</b>	<b>25,087,892</b>	<b>2,259,205</b>
Common Shares Paid for Debts	400,000,000	40,000					40,000	
Preferred convertible non-trading stock			200,000	200,000			200,000	
Net (Loss)						(756,857)	(756,857)	
<b>Balance, December 31, 2010</b>	<b>22,250,331,340</b>	<b>21,890,330</b>	<b>100,800,000</b>	<b>1,000,000</b>	<b>-</b>	<b>(46,235,875)</b>	<b>25,087,892</b>	<b>1,742,348</b>
Common Shares Paid for Debts	160,919,311	16,092					16,092	
Adjustment following DTC share certificate audit	124,014,285	12,401					12,401	
Common shares bought back and retired	(200,000,000)	(23,624)					(23,624)	
Preferred convertible non-trading stock converted to common shares	5,450,000,000	545,000	(545,000)	(545,000)			-	
Preferred convertible non-trading stock issued in exchange for debt			400,000	300,000			300,000	
Preferred convertible non-trading stock issued in exchange for debt			90,000	90,000			90,000	
Preferred convertible non-trading stock			175,000	175,000			175,000	
Net (Loss)						(505,276)	(505,276)	
<b>Balance, December 31, 2011</b>	<b>27,785,264,936</b>	<b>\$22,440,199</b>	<b>100,920,000</b>	<b>\$1,020,000</b>	<b>-</b>	<b>\$(46,741,151)</b>	<b>\$25,087,892</b>	<b>\$1,806,940</b>
Net (Loss)						(150,536)	(150,536)	
<b>Balance, June 30, 2012</b>	<b>27,785,264,936</b>	<b>\$22,440,199</b>	<b>100,920,000</b>	<b>\$1,020,000</b>	<b>-</b>	<b>\$(46,891,687)</b>	<b>\$25,087,892</b>	<b>\$1,656,403</b>

## **Cash Flow Statement**

(Unaudited)

	<b>Three Months Ended</b>	
	<b><u>Jun 30, 12</u></b>	<b><u>Jun 30, 11</u></b>
<b>Operating Activities</b>		
Net (Loss)/Income	\$(72,822)	\$(46,301)
Adjustments to reconcile Net (Loss)/Income:-		
Depreciation		
Advance	-	-
Accounts Payable	72,822	46,301
Non Current Liability	-	-
<b>Net Cash Used by Operating Activities</b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Investment Activities</b>		
Equity Investments	-	-
Capital Change	-	-
Purchase of Equipment	-	-
<b>Net Cash Used by Investment Activities</b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Financing Activities</b>		
Shares Issued to Reduce Debt	-	-
Proceeds from Sale of Non-Trading Convertible Preferred Shares	-	-
Purchase and retirement of common shares	-	-
<b>Net Cash Provided by Financing Activities</b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Net Increase/(Decrease) in Cash</b>	<b>-</b>	<b>-</b>
<b>Cash, Beginning of Period</b>	<b>-</b>	<b>-</b>
<b>Cash, End of Period</b>	<b><u>\$-</u></b>	<b><u>\$-</u></b>

**PayChest, Inc.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(June 30, 2012)**

**Prepared and Filed August 13<sup>th</sup> 2012**

**NOTE 1. GENERAL ORGANIZATION AND BUSINESS**

This section should be read in conjunction with Current Information for Paychest, Inc. at the beginning of this report.

PayChest, Inc. (the Company) is an Arizona corporation organized on May 5, 2000 as Mellon Research, Inc. On January 18, 2006, the Company changed its name to PayChest, Inc. after acquiring the controlling interest in PayChest, Inc. an Oregon corporation.

Accordingly, substantial restatement may be made to these statements to appropriately account for and present the spin-off and could result in substantial dilution of booked equity per share to shareholders acquiring investment in PayChest subsequent to that date.

On 15th October 2006, Genfin acquired a controlling interest in PayChest with a 100 million non-trading non-convertible preferential voting share block in the company. PayChest has received \$200,000 in equipment for the preferential stock. During 2007, management undertook an extensive stock audit resulting in reduction of the total outstanding shares. Additionally the company also reduced it's authorized share count to 25,000,000,000.

In January 2008, the company issued 2,709,009,995 shares towards the elimination of a long term note of \$115,000 and issuing 1,599,990,095 shares for investor relations, accounting services, transfer services and management consulting services.

On May 7th, 2008, the company acquired the exclusive worldwide rights to Flushaway(TM), a uniquely patented range of absorbent biodegradable and flushable products. PayChest provided a note payable of \$5,000,000 (US) to Consolidated Ecoprogress Technology Inc. over a 4-year period, for the delivery of these contracts and further fulfill contract payment obligations to Consolidated Ecoprogress of 5% royalties on sales.

The company continues to own a financial payment solutions and is reviewing how to realize shareholder value from this asset.

On February 1<sup>st</sup>, 2010 the Company issued a Convertible Note for \$600,000 to Rich Capital International Enterprise Ltd of Hong Kong for services. The Note attracts 5% simple interest commencing September 1<sup>st</sup> 2010. Payments for interest and principal commence only when Company revenues reach \$3,000,000. On or after September 1, 2012 the recipient can convert payments due into common shares at 75% of the market price at that time. The maturity date of the Note is September 1, 2015.

On February 1<sup>st</sup>, 2010 preferred shares were sold for \$200,000 the proceeds of which were advanced to fund operational activities of the business and reduce the burden on the Lender and management, who have exclusively been funding the Company to date.

In October 2010 a new management team led by the new President, Mr. Peter Coorey, took over the running of the Company. Management has been reviewing the financial statements of the Company and has concerns over past valuations reported in financial reports, which can not be substantiated at this time.

A review highlighted the need for administration corrections in the categorization of shares issued. This makes no material difference to the shares issued and outstanding but is more accurate in its accounting and presentation of shares.

In December 2010 the Company agreed terms with Xinpro Manufacturing of China for the set-up and operation of an exclusive production facility for the production of Flushaway®. This Agreement became effective in March 2011 upon set up of the production facility and the completion of the first film production machine.

A default judgment awarded in April 2006 against Mellon Research Inc. (now Paychest) for \$195,000 lapsed in April 2011 and has no further effect

In June 2011 the Company completed a stock certificate audit with the Depository Trust Company. The audit identified an increase in the number of shares to be reported and an adjustment increase was made of 124,014,285 common shares, although no new shares were issued.

In July 2011 the Company entered into an Agreement with Transfer Online for transfer agent services.

In September 2011 the Company completed settlement on a \$4,000,000 default judgment that was awarded in March 2009

when the Company was under prior management.

In October 2011, LIG the group of investors arranged or led by Liani Holdings Ltd. exchanged \$300,000 of debt for convertible preferred shares of the Company, convertible at \$0.0001 no earlier than 12 months from the date of issue. The preferred shares carry no coupon.

In December 2011 the Company appointed Mibus, Inc. as its exclusive sales and marketing agent for North America.

In December 2011 the Company paid Cardiff Bay Holdings Ltd \$90,000 in Preferred Class B Shares as an advance payment to continue the licensing of the flushable products technology. The Agreement for this technology is reviewed in the first half of 2012.

In December 2011 the Company sold \$175,000 of Preferred Class B Shares using the proceeds to pay down debt and accounts payable.

## NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Accounting Basis

The statements were prepared following generally accepted accounting principles of the United States of America, consistently applied.

### Management Certification

The financial statements herein are certified by the officers of the Company to present fairly, in all material respects, the financial position, results of operations and cash flows for the periods presented, in conformity with accounting principles generally accepted in the United States of America, consistently applied.

### Cash and Cash Equivalents

Cash and cash equivalents include all short-term liquid investments that are readily convertible to known amounts of cash and have original maturities of three months or less. At times cash deposits may exceed government insured limits.

### Earnings (Loss) per Share

The basic earnings (loss) per share are calculated by dividing the Company's net income available to common shareholders by the weighted average number of common shares during the year. The diluted earnings (loss) per share are calculated by dividing the Company's net income (loss) available to common shareholders by the diluted weighted average number of shares outstanding during the year. The diluted weighted average number of shares outstanding is the basic weighted number of shares adjusted as of the first of the year for any potentially dilutive debt or equity.

### Use of Estimates

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

### Equipment

Equipment is stated at cost. Depreciation is computed using the straight-line method over their estimated useful lives ranging from five to seven years. Maintenance and repairs are charged to expense as incurred. Fixed assets consist of

	<u>Jun 30, 12</u>	<u>Dec 31, 11</u>
Operating Equipment	474,314	474,314
Office Equipment	-	-
Equipment Net	<u>474,314</u>	<u>474,314</u>

The company continues to own a financial payment solutions and is reviewing how to realize shareholder value from this asset.

#### Other Assets – Equity Investments \*

The company has invested in common stock and the related warrants of publicly traded companies through the issuance of cash and Company stock. These investments include oil and gas exploration rights the company issued stock for in June of 2006 for a 7 mile gas line in Kentucky, joint venture agreements and private company investments. Some of these entities are not reporting companies with the SEC. Therefore, financial information is not readily available.

New management is concerned about the valuation of this asset as supporting documentation has not been located at this time. Management will continue to use the valuation of prior years until investigations conclude. Prior years valuations made use of a best efforts attempt to value these thinly traded securities at fair value and is conducting fair value assessments for these investments. Following is the Company's summary for the Impaired Fair Value of these Investments:

	<u>Jun 30, 12</u>	<u>Dec 31, 11</u>
Book Value	48,714,590	48,714,590
Gains		
Unrealized Loss	(46,568,291)	(46,568,291)
Adjustment to correct prior period		
Equipment Net	<u>2,146,299</u>	<u>2,146,299</u>

Flushaway Marketing Asset and Goodwill \$5,000,000

New management has concerns over the book value of equipment, equity investments and the unrealized loss for prior years. Supporting documentation for this has not been located at this time.

#### Revenue Recognition

Revenue is recognized on billed goods and services.

#### Income Taxes

The provision for income taxes is the total of the current taxes payable and the net of the change in the deferred income taxes. Provision is made for the deferred income taxes where differences exist between the period in which transactions affect current taxable income and the period in which they enter into the determination of net income in the financial

\*\* Accumulated Deficit- adjustments to accumulated deficits have been measured against adjustments made during the stock audit.

#### Earnings Per Share

Basic earnings per share are computed by dividing net income by the average number of common shares outstanding during the period Diluted earnings per share takes into consideration the potentially dilutive effect of common stock equivalents, such as outstanding stock options and warrants, which if exercised or converted into common stock would then share in the earnings of the Company. In computing diluted earnings per share, the Company utilizes the treasury stock method and anti-dilutive securities are excluded.

The Company has no outstanding options or warrants. The Company has issued preferred convertible non-voting shares which are being used by new management to fund specific and discrete activities that will add value and help execute the business turnaround.

#### Stock Based Compensation

The Company accounts for its stock based compensation based upon provisions in SFAS No. 123, Accounting for Stock-Based Compensation. In this statement stock based compensation is divided into two general categories, based upon who the stock receiver is, namely: employees/directors and non-employees/directors. The employees/directors category is further divided based upon the particular stock issuance plan, namely compensatory and non-compensatory. The employee/directors non-compensatory securities are recorded at the sales price when the stock is sold. The compensatory stock is calculated and recorded at the securities' fair value at the time the stock is given. SFAS 123 also provides that stock compensation paid to non-employees be recorded with a value which is based upon the fair value of the services rendered or the value of the stock given, whichever is more reliable. The Company has selected to utilize the fair value of services rendered.

### NOTE 3. GOING CONCERN

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern, which contemplates the realization of assets and the liquidation of liabilities in the normal course of business. However, the Company has accumulated a loss of \$50,641,603 during its development stage. This raises substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments that might result from this uncertainty.

Under new management operational costs and growth is being funded through its own resources and by a loan made available to the Company by LIG, a group of investors led by LiAni Holdings Ltd. Continued financial support will be reassessed on a quarterly basis and reflected in the appropriate financial releases. There is no assurance that loans will continue beyond each quarter or that management can continue to find investors to cover the losses generated.

### NOTE 4. STOCKHOLDERS' EQUITY

#### Common Stock

PayChest, Inc. (the Company) is an Arizona corporation organized on May 5, 2000 as Mellon Research, Inc. On January 18, 2006, the Company changed its name to PayChest, Inc. in anticipation of acquiring the controlling interest in PayChest, Inc. an Oregon corporation.

On April 27, 2004 the Company executed a 200:1 forward stock split which has been retroactively applied to these statements and accompanying notes.

During the year 2003, the Company issued 2,600,000,000 post split common shares to its founders for \$221,604 cash and 5,000,000,000 common shares to acquire equity securities valued on the date of investment at \$46,875,000.

During 2004 the Company issued 3,154,300,000 common shares for \$441,981 cash in a Rule 504 offering and an additional 1,468,714,285 common shares for services valued at \$989,390. On December 15, 2004 the Company issued 500,000,000 common shares to acquire equity securities valued at \$1,600,000. On December 27, 2004, the Company issued 50,000,000 common shares to acquire equity securities valued at \$239,590.

During 2005 the Company issued 500,000,000 common shares for services valued at \$100,000 and 1,726,985,715 common shares for \$140,840 cash. The total issued and outstanding common stock at December 31, 2005 is 15,000,000,000 shares.

On February 6, 2006 the Company paid \$16,500 and issued 2,000,000,000 common shares valued at \$183,500 to acquire 60% ownership of PayChest, Inc. (Oregon) the Company. The company has subsequently acquired 100% of PayChest.

During the quarter ended June 30, 2006 the Company issued 2,885,000,000 common shares for \$303,000 cash.

On July 31, 2006 the Company received 100,000,000 of its own common shares at par value as a \$10,000 dividend from one of its equity investments. These shares have been canceled in this quarter and will reduce the issued shares accordingly.

During the quarter ended September 30, 2006 the Company issued 2,661,534,385 common shares for services valued at \$266,153 and received contributed capital of \$5,000. \*\*

During the fourth quarter 2006, no new shares were issued and company management committed not to issue any new shares, until further notice. The company reduced the total outstanding share count by 1,500,000,000 shares as a result of renegotiated agreements for services previously rendered. Also during 2006 the Company issued 100,000,000 voting non-convertible shares.

As of February 20, 2007, the Company is authorized to issue 25,000,000,000 common shares with a par value of \$0.0001, 100,000,000 preferred voting, non-convertible shares.

During 2007, the Company continued its extensive audit and further returned an additional 1,905,213,000 shares to the treasury through and extensive stock audit. This was recorded incorrectly as 4,105,213,000 and an adjustment has been made during 2009 to adjust this. In addition, the company will use its non strategic assets, as a trade instrument to redeem more PayChest shares and return them to the treasury. Also in 2007 the Company started issuing preferred non-voting convertible shares. This Convertible class of preferred share is being used by new management to fund specific and discrete activities that will add value and help the Company execute its turnaround.

In January 2008, the company issued 2,709,009,995 shares towards the elimination of a long term note of \$115,000 and issuing 1,599,990,095 shares for investor relations, accounting services, transfer services and management consulting services.

In preparing the 2009 financial year end reports, a review of the Company financial and administrative records has been

started under new management. Adjustments were made in the way preferred convertible non-voting shares were categorized although this made no material change to the count of shares issued and outstanding as published by the Company and as shown on its website. A separate adjustment for stock not returned in 2006 was made in the 2009 financial year end report to account and confirm the Issued and Outstanding shares at 21,850,331,340; also as published on the companies website and reported in this financial statement.

In December 2010 the Company issued 400,000,000 shares to retire \$40,000 of debt for a loan and debt commencing 2007. The Company does not anticipate further shares being issued for debt.

In June 2011 the Company completed a stock certificate audit with the Depository Trust Company. The audit identified an increase in the number of shares to be reported and an adjustment increase was made of 124,014,285 common shares, although no new shares were issued.

During 2011 the Company paid \$16,092 issued 160,919,311 common shares to reduce debt with part of the Lender Group. The Company also bought back and retired 200,000,000 common shares at prices ranging from \$0.0001 to \$0.0002.

Under a 2011 agreement with LIG, the Company's lenders, and preferred shareholders converted 545,000 preferred shares at \$0.0001 resulting in 5,450,000,000 common shares being issued. As part of this in September 2011 the Company increased its authorized common shares to 28,000,000,000. 565,000 new preferred shares were also issued, 400,000 of which were to various parties that collectively are referred to as LIG. The proceeds were used to bring down debt.

In previous Company reports Paid In Capital was added directly into Total Equity. For this filing only, the Company presents both the previous method of reporting Paid in Capital (Previous Reporting Standard) and an alternative presentation method (New Reporting Standard) that separates Paid in Capital. Providing both standards allows the reader to reconcile to prior years while allowing the Company to transition to a more appropriate presentation of the Paid In Capital so the Total Equity (new presentation ) can be reconciled to the Balance Sheet.

#### **NOTE 5. FUTURE STOCK CONSIDERATIONS**

The general shareholder consensus is to avoid a reverse stock split. Management concurs because it reduces shareholder value and confidence. Management will not use a reverse stock split to consolidate the issued shares. The consolidation will be achieved through further negotiation, share swap, buyback and other positive means. However, a reverse split will be necessary when PayChest is ready to advance to a higher trading exchange, such as the Nasdaq.

#### **NOTE 6. PROVISION FOR INCOME TAXES**

The Company provides for income taxes under Statement of Financial Accounting Standards NO. 109, Accounting for Income Taxes. SFAS No. 109 requires the use of an asset and liability approach in accounting for income taxes. Deferred tax assets and liabilities are recorded based on the differences between the financial statement and tax bases of assets and liabilities and the tax rates in effect when these differences are expected to reverse.

	<u><b>Jun 30, 12</b></u>	<u><b>Dec 31, 11</b></u>
Deferred Tax Asset		
Valuation account		
Current taxes payable		
	<u>                    </u>	<u>                    </u>
	<u>                    </u>	<u>                    </u>

The tax provision at FYE 2012 is \$0.00.

Below is a chart showing the federal net operating losses and the years in which they will expire:

Note: Management is concerned about the validity of many of these reported losses and at this time has only been able to validate losses for fiscal years 2009 onwards.

#### **NOTE 7. THE EFFECT OF RECENTLY ISSUED ACCOUNTING STANDARDS**

<u>Year</u>	<u>Expiration</u>	<u>Amount</u>
2000	2020	4,561
2001	2021	36,850
2002	2022	43,782
2003	2023	45,919,940
2004	2024	2,236,057
2005	2025	523,653
2006	2026	301,410
2007	2027	3,761
2008	2028	98,591
2009	2029	210,865
2010	2030	756,857
2011	2031	505,276
2012	2032	150,536
<b>Total NOL</b>		<b>50,641,603</b>

Changes to GAAP are established by the Financial Accounting Standards Board (“**FASB**”) in the form of accounting standards updates (“**ASUs**”) to the FASB’s Accounting Standards Codification. The Company considers the applicability and impact of all recent ASUs. ASUs not listed below were assessed and determined to be either not applicable or are expected to have minimal impact on the Company’s consolidated financial position and results of operations. There have been no new standards issued in 2012.

In June 2011, the FASB issued ASU 2011-05, “Presentation of Comprehensive Income (Topic 220).” ASU 2011-05 requires that all changes in stockholders’ equity be presented either as a single continuous statement of comprehensive income or in two separate but consecutive statements. In December 2011, the FASB issued ASU 2011-12 which defers certain reclassification requirements within ASU 2011-05. This guidance is effective for interim and annual periods beginning after December 15, 2011. The guidance is limited to the form and content of the financial statements and disclosures, and the adoption of this guidance will not have a material impact on the Company’s consolidated financial position, results of operations or cash flows.

In May 2011, the FASB issued ASU 2011-04, “Fair Value Measurement (Topic 820).” ASU 2011-04 will result in common fair value measurement and disclosure requirements in U.S. GAAP and IFRSs. Consequently, the amendments change the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. This guidance is effective for interim and annual periods beginning after December 15, 2011. The adoption of this standard will not have a material impact on the Company’s consolidated financial position, results of operations or cash flows.

## ITEM 9. ISSUERS CERTIFICATION

### CERTIFICATION

I, Peter Coorey, President & CEO of PayChest, Inc., hereby certify that:

- a. I have reviewed this Quarterly Disclosure Statement of PayChest, Inc.,
- b. Based on my knowledge, this disclosure statement 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 disclosure statement; and
- c. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in a material respects the financial condition, results of operations and cash flows of the issuer as on and for, the periods presented in this disclosure statement.

Dated: August 14<sup>th</sup>, 2012

A handwritten signature in dark ink, appearing to read 'Peter Coorey', is written over a horizontal line.

Peter Coorey  
President, PayChest, Inc.