

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**FORM S-1**

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

**BANTEC, INC.**

**Delaware**

(State or jurisdiction of  
Incorporation or organization)

**3721**

(Primary Standard Industrial  
Classification Code)

**30-0967943**

(I.R.S. Employer  
Identification No.)

**195 Paterson Avenue, Little Falls, NJ 07424  
(203) 220-2296**

(Address, including zip code, and telephone number, including area code,  
of registrant's principle executive offices)

**VCorp Services, LLC  
1013 Centre Road, Suite 403-B  
Wilmington, DE 19805  
(888) 528-2677**

(Name, address, including zip code, and telephone number, including area code,  
of agent for service)

Approximate date of commencement of proposed sale to the public: **As soon as practicable after this Registration Statement becomes effective.**

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933 check the following box:

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input checked="" type="checkbox"/>

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.

**Calculation of Registration Fee**

Title of each Class of Securities To be Registered	Amount to be registered (1)	Proposed maximum Offering price per share (2)(3)	Proposed maximum aggregate Offering price	Amount of registration fee
Common Stock, \$0.0001 par value per share, to be offered by the issuer	3,000,000,000	\$ 0.0006	\$ 1,800,000	\$ 166.86
<b>Total</b>	<b>3,000,000,000</b>	<b>\$ 0.0006</b>	<b>\$ 1,800,000</b>	<b>\$ 166.86</b>

(1) In the event of a stock split, stock dividend or similar transaction involving our common stock, the number of shares registered shall automatically be increased to cover the additional shares of common stock issuable pursuant to Rule 416 under the Securities Act of 1933, as amended.

(2) Estimated solely for the purpose of computing the registration fee pursuant to Rule 457 of the Securities Act.

(3) Offering price has been arbitrarily determined by the Board of Directors.

**The Registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.**

**BANTEC, INC.**  
**3,000,000,000 Shares of Common Stock Offered by the Company**  
**\$0.0006 per share**

This is a public offering of our common stock, par value \$0.0001 per share. We are selling 3,000,000,000 shares of our common stock.

This offering will terminate on the date which is 270 days from the effective date of this prospectus, although we may close the offering on any date prior if the offering is fully subscribed or upon the vote of our board of directors.

We currently expect the public offering price of the shares we are offering to be \$0.0006 per share of our common stock.

The Company is quoted on the OTC Pink market and there is a limited established market for our stock. The offering price of the shares has been determined arbitrarily by us. The price does not bear any relationship to our assets, book value, earnings, or other established criteria for valuing a company. In determining the number of shares to be offered and the offering price, we took into consideration our capital structure and the amount of money we would need to implement our business plans. Accordingly, the offering price should not be considered an indication of the actual value of our securities.

**Investing in our common stock involves a high degree of risk. See “Risk Factors” for certain risks you should consider before purchasing any shares in this offering.** This prospectus is not an offer to sell these securities and it is not the solicitation of an offer to buy these securities in any state where the offeror sale is not permitted.

The offering is being conducted on a self-underwritten, best efforts basis, which means our management will attempt to sell the shares being offered hereby on behalf of the Company. There is no underwriter for this offering.

Completion of this offering is not subject to us raising a minimum offering amount. We do not have an arrangement to place the proceeds from this offering in an escrow, trust or similar account. Any funds raised from the offering will be immediately available to us for our immediate use.

**Any purchaser of common stock in the offering may be the only purchaser, given the lack of a minimum offering amount.**

We are an “emerging growth company” as defined in the Jumpstart Our Business Startups Act.

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved these securities, or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

**The Company does not plan to use this offering prospectus before the effective date.**

**Proceeds to Company in Offering**

	<b>Number of Shares</b>	<b>Offering Price (1)</b>	<b>Underwriting Discounts &amp; Commissions</b>	<b>Gross Proceeds</b>
<b>Per Share</b>				
<b>25% of Offering Sold</b>	750,000,000	\$ 0.0006	\$ 0	\$ 450,000
<b>50% of Offering sold</b>	1,500,000,000	\$ 0.0006	\$ 0	\$ 900,000
<b>75% of Offering Sold</b>	2,250,000,000	\$ 0.0006	\$ 0	\$ 1,350,000
<b>Maximum Offering sold</b>	3,000,000,000	\$ 0.0006	\$ 0	\$ 1,800,000

(1) Assuming a public offering price of \$0.0006 per share, as set forth on the cover page of this prospectus.

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**ABOUT THIS PROSPECTUS**

In making your investment decision, you should only rely on the information contained in this prospectus. We have not authorized anyone to provide you with any other or different information. If anyone provides you with information that is different from, or inconsistent with, the information in this prospectus, you should not rely on it. We believe the information in this prospectus is materially complete and correct as of the date on the front cover. We cannot, however, guarantee that the information will remain correct after that date. For that reason, you should assume that the information in this prospectus is accurate only as of the date on the front cover and that it may not still be accurate on a later date. This document may only be used where it is legal to sell these securities. The information contained in this prospectus is current only as of its date, regardless of the time of delivery of this prospectus or of any sales of our shares of common stock.

You should not interpret the contents of this prospectus to be legal, business, financial or tax advice. You should consult with them about the legal, tax, business, financial and other issues that you should consider before investing in our common stock.

This prospectus does not offer to sell, or ask for offers to buy, any shares of our common stock in any state or other jurisdiction in which such offer or solicitation would be unlawful or where the person making the offer is not qualified to do so.

No action is being taken in any jurisdictions outside the United States to permit a public offering of our common stock or possession or distribution of this prospectus in those jurisdictions. Persons who come into possession of this prospectus in jurisdictions outside the United States are required to inform themselves about, and to observe, any restrictions that apply in those jurisdictions to this offering or the distribution of this prospectus. In this prospectus, unless the context otherwise denotes, references to “we,” “us,” “our,” “BANT” and the “Company” refer to Bantec, Inc. (f/k/a Bantek, Inc. and Drone USA, Inc.)

## **SUMMARY**

*The following summary highlights material information in this prospectus. It may not contain all the information that is important to you. For additional information, you should read this entire prospectus carefully, including “Risk Factors” the consolidated financial statements and the notes to the consolidated financial statements.*

### **Organizational History**

We were formed in Delaware on June 26, 1972 as OCR Corporation, underwent a series of name changes and businesses and on April 25, 2008 changed our name to Texas Wyoming Drilling, Inc. On January 26, 2016, we entered into an Equity Exchange Agreement (the “EEA”) whereby we acquired all of the issued and outstanding membership interests in Drone USA, LLC in exchange for 440,425 shares of our common stock and 250 shares of Series A preferred stock, subsequent and pursuant to our completing a 1-for-150 share reverse stock split on all issued and outstanding common stock which resulted in total issued and outstanding shares of common stock of 6,368 immediately prior to this issuance. In connection with the EEA, 1,253 shares of common stock were relinquished and an additional 44,043 shares of common stock were issued pursuant to a previous settlement agreement. In connection with the EEA, effective January 26, 2016, we accepted the resignation of Margaret Cadena, the former Chief Executive Officer and Board member, and Richard Kugelman, Dr. Robert Michet, and Dr. David Durkin, the remaining former officers and Board members, and appointed Michael Bannon as Chief Executive Officer, President, Chairman and Board member and the former Chief Financial Officer of Drone USA, LLC, as Secretary, Treasurer, and Board member. Our former CFO resigned as our CFO and as a member of our Board on July 10, 2017 and Michael Bannon was appointed as CFO. On May 19, 2016, we changed our name to Drone USA, Inc., we changed our ticker symbol to DRUS, and we completed a 1-for-12 share reverse stock split on all issued and outstanding common stock, with a record date of May 24, 2016, which resulted in total issued and outstanding shares of common stock of 40,842 on June 17, 2016 when all round lot issuances were completed. The company notified shareholders May 30, 2018 that it intended to increase the authorized shares from 200,000 to 1,500,000 and change the name to Bantek Inc. On February 24, 2019, the company notified the shareholders that intended to increase the authorized shares from 1,500,000,000 to 6,000,000,000 shares. Bantek, Inc. filed a change of name to Bantec, Inc. and to effect a reverse stock split (of the common stock) of 1 for 1,000 on September 16, 2019, which became effective on February 10, 2020. All share and per share data have been retrospectively adjusted for the effects of all reverse splits.

We are currently traded on the OTC Pink market under the symbol BANT.

On June 1, 2016, we entered into an agreement with BRVANT Technologic Solutions (“BRVANT”), a company in Brazil that develops and manufactures UAV systems, embedded systems and simulators for commercial and military customers. We acquired exclusive rights to BRVANT’s UAV technology and intellectual property relating to its UAV technology. As consideration for the agreement, Dr. Rodrigo Kuntz Rangel, BRVANT’s CEO, was appointed to the position of Chief Technology Officer (CTO) and issued a stock option grant for 2,000 shares of common stock in Drone USA. We have the option to acquire ownership of all outstanding capital stock of BRVANT for additional consideration of \$1 million, but we have not made a decision to make that purchase at this time.

On September 9, 2016, Howco Distributing Co., (“Howco”) became a wholly owned subsidiary of Bantec, Inc. We acquired all of its issued and outstanding shares held by Paul Charles (“Chuck”) Joy and Kathryn B. Joy, the founders and officers of Howco, for \$3,500,000, a warrant for 500 shares of Bantec, Inc. common stock with an exercise price of \$10.00 per share, and earnout consideration, the funds for which were received from the TCA loan discussed below. We paid \$2,600,000 in cash and issued a note to the sellers for \$900,000. Howco is a supplier of spare and replacement parts to the United States Federal Government and commercial customers worldwide with expertise in Defense Logistics Agency, TACOM, NECO and other Department of Defense acquisition groups. Howco understands the entire contract and administration management process for Federal Government contracts and supply chain logistics for its Federal Government customers as well as prime contractors with Federal Government contracts. Prior to the acquisition, Howco reported revenues of approximately \$18.78 million and \$24.86 million, and net income of approximately \$903,000 and \$1,013,000, for the period from October 1, 2015 through September 9, 2016 and the year ended September 30, 2015, respectively. For the year ended September 30, 2021, two customers accounted for approximately 57%, and 23% of Howco’s total sales. Howco’s dependence on two significant customers, is a risk for its ability to maintain or increase its future revenues since the loss of one or both could have significant adverse financial consequences for Howco and Bantec, Inc.

### ***The Impact of COVID-19***

The Company is a wholesale vendor to the Department of Defense through its wholly owned subsidiary, Howco and is directly involved in distribution of advanced low altitude UAV systems, services and products. Both the wholesale vendor and the distribution aspects of the Company’s business have been affected due to the COVID-19 social distancing requirements mandated by the federal, state and local governments where the Company’s operations occur. For some businesses, like the Company’s, much of the distribution of its core products and delivery of its core services cannot always be done through “virtual” means, and even when this is possible, it requires significant capital and time to achieve. During the year ended September 30, 2021 sales and shipments at Howco have continued at a lower rate than during the year ended September 30, 2020. It is anticipated that there may be a higher impact of the COVID-19 being realized during the year ended September 30, 2022, however the Company cannot assess the financial impact of the related COVID-19 restrictions as compared to other economic and business factors.

### **Growth Strategy**

Our parent company intends to focus on raising capital to fund our expansion into the distribution, manufacturing, sanitizing and construction industries. Although, we will continually look to grow organically, through franchise creation and through acquisitions. We are looking for companies that will ultimately complement each other where we can cross sell our customers a wide variety of goods and services. For example, we are looking to purchase a distributor or manufacturer that will enable us to sell new products to the US government through our subsidiary Howco.

### ***Drone Sales***

Through our Drone USA website (droneusainc.com) and through limited direct selling efforts we offer police, fire, the US government drone programs. Our drone programs constitute selling our customers drones, drone accessories, accident reconstruction software, drone training, drone services, counter-drone technology, certificates of authorization (COAs) and Waivers.

#### *Acquisitions*

We are looking to acquire companies in industries where we possess experience. For example, we would like to acquire companies in the armament, environmental, solar, manufacturing, robotic and logistics industries. When acquired, we will initially run the companies as independent entities keeping their identities temporarily intact. When we are confident that we fully know the business and their customers, we will begin to bring them into the Bantec family changing their names to a Bantec division such as Bantec Robotics, Bantec Arms or Bantec Solar. In the future, we may look to franchise some of our divisions. This will make up our primary growth path. These are our potential and intended divisions:

1. Bantec Arms
2. Bantec Robotics
3. Bantec Environmental
4. Bantec Logistics
5. Bantec Solar

#### **Bantec Sanitizing**

Through Bantec Sanitizing (a division of Bantec), through our franchising efforts, we sell disinfecting products and equipment to facility owners in hospitals, universities, manufacturers and building owners. We sell sanitizing products through our website at Bantec.store.

#### **Howco's Business**

Howco is a premier supplier of spare and replacement parts to a wide variety of Federal Government agencies, U.S. military prime contractors and commercial customers worldwide. Founded in 1990 and located in Vancouver, Washington, Howco's services encompass bid solicitation, contract management, packaging and logistics for construction, transportation, mining and heavy equipment spare and replacement parts to customers worldwide utilizing a wide variety of supply chain solutions. Howco was the winner of the 2012 United States' Department of Defense Logistics Agency's Bronze Supplier Award. Howco reported revenues of approximately \$2.4 million and \$4.5 million, and net (loss) of approximately (\$163,000) and (\$166,000), for the year ended September 30, 2021 and 2020.

#### *Howco's Government Services Contracts*

Howco enters into various types of contracts with our customers, such as Indefinite Delivery, Indefinite Quantity (IDIQ), Cost-Plus-Fixed-Fee (CPFF) Level of Effort (LOE), Cost-Plus-Fixed-Fee (CPFF) Completion, Cost-reimbursement (CR), Firm-Fixed-Price (FFP), Fixed-Price Incentive (FPI) and Time-and-Materials (T&M). The majority of Howco's revenues are derived from FFP contracts.

IDIQ contracts provide for an indefinite quantity of services or stated limits of supplies for a fixed period. They are used when the customer cannot determine, above a specified minimum, the precise quantities of supplies or services that the government will require during the contract period. IDIQs help streamline the contract process and speed service delivery. IDIQ contracts are most often used for service contracts and architect-engineering services. Awards are usually for base years and option years. The customer places delivery orders (for supplies) or task orders (for services) against a basic contract for individual requirements. Minimum and maximum quantity limits are specified in the basic contract as either a number of units (for supplies) or as dollar values (for services).

CPFF LOE contracts will be issued when the scope of work is defined in general terms requiring only that the contractor devote a specified LOE for a stated time period. A CPFF completion contract will be issued when the scope of work defines a definite goal or target which leads to an end product deliverable (e.g., a final report of research accomplishing the goal or target).

CR contracts provide for payment of allowable incurred costs, to the extent prescribed in the contract. These contracts establish an estimate of total cost for the purpose of obligating funds and establishing a ceiling that the contractor may not exceed (except at its own risk) without the approval of the contracting officer and are suitable for use only when uncertainties involved in contract performance do not permit costs to be estimated with sufficient accuracy to use any type of fixed-price contract.

FFP contract will be issued when acquiring supplies or services on the basis of definite or detailed specifications and fair and reasonable prices can be established at the outset.

FPI target delivery contract will be issued when acquiring supplies or services on the basis of reasonably definite or detailed specifications and cost can be reasonably predicted at the outset wherein the cost risk will be shared. A firm target cost, target profit, and profit adjustment formula will be negotiated to provide a fair and reasonable incentive and a ceiling that provides for the contractor to assume an appropriate share of the risk.

T&M contracts provide for acquiring supplies or services on the basis of (i) direct labor hours at specified fixed hourly rates that include wages, overhead, general and administrative expenses, and profit; and (ii) actual cost for materials. A customer may use this contract when it is not possible at the time of placing the contract to estimate accurately the extent or duration of the work or to anticipate costs with any reasonable degree of confidence.

#### *Market Size*

According to published reports one-third of the DoD budget request, \$247.4 billion, is for procurement and research, development, test, and evaluation ("RDT&E") in 2020. The U.S. Government spends a portion of this budget on the shipping of replacement parts annually.

#### **Intellectual Property**

We review each of our intellectual properties and make a determination as to the best means to protect such property, by trademark, by copyright, by patent, by trade secret, or otherwise. We believe that we have taken appropriate steps to protect our intellectual properties, based on our evaluation of the factors unique to each such property, but cannot guarantee that this is the case.

## **Regulatory Matters**

The use of unmanned aerial vehicles for commercial purposes is governed by the Federal Aviation Administration (“FAA”). On August 29, 2016, the new FAA rules took effect for commercial use of small drones. Under the FAA rules commercial drones must be under 55 pounds and be registered with the FAA. The rules require a new “remote pilot certificate”, daylight-only operations 30 minutes before official sunrise and 30 minutes after official sunset, a requirement that all flights travel at a maximum groundspeed of 100 miles per hour remain, below 400 feet or within 400 feet of a structure and yield the right of way to other aircraft. Under the FAA rules, drone pilots must be at least 16 years old or be supervised by an adult with a remote pilot certificate. The pilot must also maintain “visual line of sight” with the drone at all times, among other requirements. The new rules also require that any drone-related incident that results in at least \$500 worth of damage or causes serious injury be reported to the FAA within 10 days. The new restrictions can be waived, but pilots will need to apply directly to the FAA for an exemption and/or a waiver.

## **Competition**

### *Drone USA LLC*

The competition for Drone USA consists mainly of resellers of drones who sell to law enforcement, fire departments security companies and the U.S. government. These competitors primarily are Amazon, Best Buy, Drone Nerds, SYNEX and other distributors of drones. On the training front our competitors consist of SMG and other training suppliers.

### *Howco*

The business of supplying spare and replacement parts to Federal Government agencies, U.S. military prime contractors and commercial customers is very competitive. Among our U.S. based competitors are JGILS that supplies parts manufactured by Fairbanks Morse/Coltec and other brands, Ohio Cat that supplies Caterpillar parts, and Kampi Components and Brighton Cromwell, both of which compete with us in several brands.

### *Bantec Construction & Environmental*

In the construction & environmental industries located in the tristate area there is a tremendous amount of competition. In all three states, we will encounter competition from both small and large contractors, and from union and non-union contractors.

### *Employees*

We have six full-time employees, one with Bantec and five are with Howco, and two part-time employees with Howco. We have no labor union contracts and believe relations with our employees are satisfactory.

## **UNRESOLVED STAFF COMMENTS**

None.

## **PROPERTIES**

### *Bantec, Inc.*

Our headquarters is located at 195 Paterson Ave, Little Falls, New Jersey 07424.

### *Howco*

Howco has its principal office and warehouse at 6025 East 18th St, Vancouver, WA 98661. Howco entered into a lease on April 28, 2009 that was extended on April 16, 2020 to May 31, 2023 for approximately 5,624 square feet for its office and warehouse. The lease provides for initial monthly rent of approximately \$5,155 per month with annual rent escalations.

## **SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The following table sets forth, as of December 29, 2021, certain information concerning the beneficial ownership of our capital stock, including our common stock, and stock options as converted into common stock basis, by:

- each stockholder known by us to own beneficially 5% or more of any class of our outstanding stock;
- each director;
- each named executive officer;
- all of our executive officers and directors as a group; and
- each person or group of affiliated persons, who is known by us to beneficially own more than 5% of any class of our outstanding stock.

The column entitled “Percentage of Class” is based on 2,693,360,585 shares of common stock outstanding as of December 20, 2021. Beneficial ownership is determined in accordance with the rules and regulations of the SEC and includes voting or investment power with respect to our common stock. Shares of our common stock subject to options that are currently exercisable or exercisable within 60 days of December 29, 2021, are considered outstanding and beneficially owned by the person holding the options for the purpose of calculating the percentage ownership of that person but not for the purpose of calculating the percentage ownership of any other person. Except as otherwise noted, we believe the persons and entities in this table have sole voting and investing power with respect to all of the shares of our common stock beneficially owned by them, subject to community property laws, where applicable.

Michael Bannon has voting control through his ownership of 250 shares of Series A preferred stock. Each share of Series A preferred stock entitles the holder to vote on all matters submitted to a vote of our shareholders with each shareholder casting a vote equal to the quotient of the sum of all outstanding shares of common stock divided by 0.99, which based on, 2,693,360,585 shares issued and outstanding equates to voting rights equal to 2,720,566,247 shares of common stock.

Name and Address <sup>1</sup>	Amount and Nature of Beneficial Ownership	Percentage of Class
Michael Bannon (2)	150,036,703	5.6%
Dr. Rodrigo Kuntz Rangel (3)	3,680	0.00001%
TCA (4)	2,140,016,202	79%
All Officers and Directors as a Group	150,040,383	5.6%

- (1) Unless otherwise indicated, the address of such individual is c/o the Company.
- (2) Michael Bannon has voting control through his ownership of 250 shares of Series A preferred stock voting on an as-converted basis. This chart reflects only the issued and outstanding shares of our common stock.
- (3) Represents shares issuable upon the exercise of stock options to purchase shares of our common stock that are exercisable within 60 days of December 29, 2021.
- (4) Based upon the right of TCA to convert the unpaid principal and interest owed under the convertible note issued by the Company to TCA. TCA is a limited partnership organized under the laws of the Cayman Islands and had its principal office at 19950 West Country Club Drive, 1<sup>st</sup> Floor, Aventura, Florida 33180. Currently, TCA has ceased operations and its funds and management entities are in receivership.

The number of authorized shares is currently 6,000,000,000 and if TCA was to convert its convertible note into common shares, the Company will not have sufficient shares following a successful offering as contemplated in this Form S1. However, the Company will increase the authorized shares as needed. Currently, TCA has not indicated that it intends to convert its note, in addition contractually they are never to hold more than 4.99% of the Company's outstanding common shares.

#### Securities Authorized for Issuance under Equity Compensation Plans

The following table sets forth information regarding our equity compensation plans as of September 30, 2021. There are no equity compensation plans that have not been approved by our security holders.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights (\$)	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by security holders	17,223	\$ 230.00	82,777

#### QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not Applicable.

#### THE OFFERING

<b>Issuer:</b>	Bantec, Inc.
<b>Common stock offered by us:</b>	3,000,000,000 shares at \$0.0006 per share
<b>Common stock outstanding before the offering:</b>	2,693,360,585 shares
<b>Common stock to be outstanding after the offering:</b>	5,693,360,585 shares.
<b>Use of proceeds:</b>	We expect to receive net proceeds from this offering of approximately \$1,765,000 assuming all the shares offered hereby are sold and after deducting estimated offering expenses payable by us.  We intend to use the net proceeds of the offering for working capital and other general corporate purposes. See "Use of Proceeds."
<b>Dividend policy:</b>	We have never declared or paid cash dividends on our common stock. We currently intend to retain all of our future earnings, if any, to finance the growth and development of our business. We do not intend to pay cash dividends in respect of our common stock in the foreseeable future. Any future determination to pay dividends will be at the discretion of our board of directors.
<b>Risk factors:</b>	Investing in our common stock involves a high degree of risk. See "Risk Factors" beginning on page 9 of this prospectus for a discussion of factors you should carefully consider before deciding to invest in our common stock.
<b>Additional Shares to be Authorized</b>	The Company has plans to increase the authorized shares if needed.

#### Emerging Growth Company

We are and we will remain an "emerging growth company" as defined under The Jumpstart Our Business Startups Act (the "JOBS Act"), until the

earliest to occur of (i) the last day of the fiscal year during which our total annual revenues equal or exceed \$1 billion (subject to adjustment for inflation), (ii) the last day of the fiscal year following the fifth anniversary of our initial public offering, (iii) the date on which we have, during the previous three-year period, issued more than \$1 billion in non-convertible debt securities, or (iv) the date on which we are deemed a “large accelerated filer” (with at least \$700 million in public float) under the Securities and Exchange Act of 1934, as amended (the “Exchange Act”).

As an “emerging growth company”, we may take advantage of specified reduced disclosure and other requirements that are otherwise applicable generally to public companies. These provisions include:

- only two years of audited financial statements in addition to any required unaudited interim financial statements with correspondingly reduced “Management’s Discussion and Analysis” disclosure;
- reduced disclosure about our executive compensation arrangements;
- no requirement that we hold non-binding advisory votes on executive compensation or golden parachute arrangements; and
- exemption from the auditor attestation requirement in the assessment of our internal control over financial reporting.

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We have taken advantage of some of these reduced burdens, and thus the information we provide stockholders may be different from what you might receive from other public companies in which you hold shares.

In addition, Section 107 of the JOBS Act also provides that an emerging growth company can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. In other words, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. However, we are choosing to “opt out” of such extended transition period, and as a result, we will comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for non-emerging growth companies. Section 107 of the JOBS Act provides that our decision to opt out of the extended transition period for complying with new or revised accounting standards is irrevocable.

Notwithstanding the above, we are also currently a “smaller reporting company”, meaning that we are not an investment company, an asset-backed issuer, or a majority-owned subsidiary of a parent company that is not a smaller reporting company and have a public float of less than \$250 million and annual revenues of less than \$100 million during the most recently completed fiscal year. In the event that we are still considered a “smaller reporting company”, at such time as we cease being an “emerging growth company”, the disclosure we will be required to provide in our SEC filings will increase, but will still be less than it would be if we were not considered either an “emerging growth company” or a “smaller reporting company”. Specifically, similar to “emerging growth companies”, “smaller reporting companies” are able to provide simplified executive compensation disclosures in their filings; are exempt from the provisions of Section 404(b) of the Sarbanes-Oxley Act (“SOX”) requiring that independent registered public accounting firms provide an attestation report on the effectiveness of internal control over financial reporting; and have certain other decreased disclosure obligations in their SEC filings, including, among other things, only being required to provide two years of audited financial statements in annual reports.

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## RISK FACTORS

### **RISKS RELATING TO OUR DRONE BUSINESS AND OUR INDUSTRY**

#### ***We have an extremely limited operating history.***

With respect to the manufacturing and sale of drones, we are currently a start-up company without any current material sales of our drone products. There is no historical basis to make judgments on the capabilities associated with our enterprise, management and/or employees’ ability to produce a commercial drone product leading to a profitable company beyond what we have acquired through our purchase of Howco which is in the business of spare parts and replacement parts.

#### ***We will need to raise additional capital.***

Given the limited revenues from sales of our drone products to date, we expect that Bantec, Inc. will need to obtain additional operating capital either through equity offerings, debt offerings or a combination thereof, in the future. In addition, if, in the future, we are not capable of generating sufficient revenues from operations and its capital resources are insufficient to meet future requirements, we may have to raise funds to allow us to continue to commercialize, market and sell our products. We presently have no committed sources of funding and we have not entered into any agreements or arrangements with respect to our fundraising efforts. We cannot be certain that funding will be available on acceptable terms or at all. To the extent that we raise additional funds by issuing equity securities, our stockholders may experience significant dilution. Any debt financing, if available, may involve restrictive covenants that may impact our ability to conduct business. If we are unable to raise additional capital if required on acceptable terms, we may have to significantly scale back, delay or discontinue the development and/or commercialization of our drone products, restrict our operations or obtain funds by entering into agreements on unattractive terms.

#### ***Our financial status raises doubt about our ability to continue as a going concern.***

Our cash and cash equivalents were \$985,953 at September 30, 2021. For the year ended September 30, 2021, the Company has incurred a net loss of \$1,882,071 and used cash in operations of \$1,576,648. The working capital deficit, stockholders’ deficit and accumulated deficit was \$14,709,592, \$14,796,078 and \$32,956,840, respectively, at September 30, 2021. Furthermore, on September 6, 2019, we received a default notice on our payment obligations under the senior secured credit facility agreement with TCA, defaulted on our note payable – Seller in September 2017 and have defaulted on other promissory notes and as of September 30, 2021, we have received several demands for payment of past due amounts for services from several consultants and service providers. These matters raise substantial doubt about our ability to continue as a going concern for a period of twelve months from the issuance date of our consolidated financial statements included elsewhere in this Form S-1. Our ability to continue as a going concern is dependent upon management’s ability to further implement its business plan and raise additional capital as needed from the sales of stock or debt. We continue to implement cost-cutting measures, raise equity through our effective S-1 private placement, restructure or repay our secured obligations and structure payment plans, if necessary, with vendors and service providers who are owed money. The accompanying consolidated financial statements elsewhere in this Form S-1 do not include any adjustments that might be required should we be unable to continue as a going concern. We continue to incur significant operating losses, and management expects that significant on-going operating expenditures will be necessary to successfully implement our business plan and develop and market our products. Implementation of our plans and our ability to continue as a going concern will depend upon our ability to market our drone technology, continue with sales of equipment spare and replacement parts to the U.S. Government and commercial customers and raise additional capital.

Management believes that we have access to capital resources through possible public or private equity offerings, exchange offers, debt financings, corporate collaborations or other means. On June 9, 2021 our current form S-1 became effective and since then we have issued shares for cash. Cash proceeds are being utilized to reduce debt and fund current and planned operations. In addition, we continue to explore opportunities to strategically monetize our technology and our services, although there can be no assurance that we will be successful with such plans. We have historically been able to raise capital through equity and debt offerings, although no assurance can be provided that we will continue to be successful in the future. If we are unable to raise sufficient capital through 2022 or otherwise, we may be required to severely curtail, or even to cease, our operations.

***Most of our management has limited experience in the drone industry***

With the exception of our CTO, our management has limited experience in aerospace, aviation and unmanned aerial systems manufacturing sectors. While our management has considerable general management experience, some have specialized knowledge and abilities in the unmanned aerial industry, but none of the managers have experience managing a business that manufactures and markets aircrafts. The management will rely on contracted individuals with the specified skills, qualifications and knowledge related to aircraft manufacturing and marketing, without impacting the overall budget for compensation.

***Potential product liabilities may harm our operating results.***

As a reseller of a UAV products, and with aircrafts and aviation sector companies being scrutinized heavily, we may be subject to FAA mandates and/or regulations, which could result in potential law suits. Defects in our product may lead to life, health and property risks. Currently, the unmanned aerial systems industry lacks a formative insurance market. It is possible that our operations could be adversely affected by the costs and disruptions of responding to such liabilities even if insurance against liabilities is available.

***If our proposed marketing efforts are unsuccessful, we may not earn enough revenue to become profitable.***

Our success will depend on investment in marketing resources and the successful implementation of our marketing plan. Our marketing plan may include attendance at trade shows and making private demonstrations, advertising and promotional materials and advertising campaigns in print and/or broadcast media. We cannot give any assurance that our marketing efforts will be successful. If they are not, revenue may not be sufficient to cover our fixed costs and we may not become profitable.

***We may be unable to respond to rapid technology changes and innovative products.***

In a constantly changing and innovative technology market with frequent new product introductions, enhancement and modifications, we may be forced to implement and develop new technologies into our products for anticipation of changing customer requirements that may significantly impact costs in order to retain or enhance our competitive position in existing and new markets.

***There is intense competition in our market.***

The aerospace and aviation markets are very saturated and intensely competitive. By entering this sector, our management is aware that failure to compete with direct market leading companies and new entrants will affect overall business and the product. Therefore, the faster innovative applications and technologies are implemented to the developed product; the better the pricing and commercial business strategies management will be able to offer to businesses purchasing drones. Competitive factors in this market are all related to product performance, price, customer service, training platforms, reputation, sales and marketing effectiveness.

***Future acquisitions may be unsuccessful and may negatively affect operations and financial condition.***

The integration of businesses, personnel, product lines and technologies can be difficult, time consuming and subject to significant risks. Any difficulties could disrupt our ongoing business, distract our management and employees, increase our expenses and decrease our revenue.

***We may be unable to protect our intellectual property.***

Our ability to protect proprietary technology and operate without infringing the rights of others will allow our UAV business to compete successfully and achieve future revenue growth. If we are unable to protect proprietary technology or infringe upon the rights of others, it could negatively impact our operating results.

***We will be reliant on information systems, electronic communication systems, and internal and external data and applications.***

Business operations and manufacturing are dependent on computer hardware, software and communication systems. Information systems are vulnerable and are subject to failures that could create internal or external events that will affect our business and operations. Management is mindful of these risks since we have developed a strategy by adopting third party information technology and system practices. Any breach of security could disrupt our overall UAV business and result in various effects in operations and efficiency. UAVs could encounter increased overhead costs, loss of important information and data, which may also hinder our reputation.

***If we lose our key personnel or are unable to hire additional personnel, we will have trouble growing our business.***

We depend to a large extent on the abilities of our key management. The loss of any key employee or our inability to attract or retain other qualified employees could seriously impair our results of operations and financial condition.

Our future success depends on our ability to attract, retain and motivate highly skilled technical, marketing, management, accounting and administrative personnel. We plan to hire additional personnel in all areas of our business as we grow. Competition for qualified personnel is intense. As a result, we may be unable to attract and retain qualified personnel. We may also be unable to retain the employees that we currently employ or to attract additional technical personnel. The failure to retain and attract the necessary personnel could seriously harm our business, financial condition and results of operations.

***Because our executive officers collectively own a majority of our outstanding shares, they can elect our directors without regard to other stockholders' votes.***

Our CEO, Michael Bannon, has majority voting control through his ownership of 250 shares of Series A preferred stock. As a result, he may elect all of our directors, who in turn elect all executive officers, without regard to the votes of other stockholders. The voting control of Mr. Bannon gives him the ability to authorize change-in-control transactions, amendments to our certificate of incorporation and other matters that may not be in the best interests of our minority stockholders. In this regard, Mr. Bannon has absolute control over our management and affairs.

***We face a higher risk of failure because we cannot accurately forecast our future revenues and operating results.***



The rapidly changing nature of the markets in which we compete makes it difficult to accurately forecast our revenues and operating results. Furthermore, we expect our revenues and operating results to fluctuate in the future due to a number of factors, including the following:

- the timing of sales of our UAV products;
- unexpected delays in introducing new UAV products;
- increased expenses, whether related to sales and marketing, or administration;
- costs related to anticipated acquisitions of businesses.

***Our UAV products may suffer defects.***

Products may suffer defects that may lead to substantial product liability, damage or warranty claims. Given our complex platforms and systems within our product, errors and defects may be related to flight and/or communications. Such an event could result in significant expenses arising from product liability, warranty claims, and reduce sales, which could have a material adverse effect on business, financial condition and results of operations.

***Our products are subject to FAA regulations.***

Compliance with the new FAA regulations by businesses interested in using UAVs may negatively affect commercial usage of our UAVs, which will adversely affect our operations and overall sales.

***Since we intend to pursue acquisitions, investments or other strategic relationships or alliances, this will consume significant resources, may be unsuccessful and could dilute holders of our common stock.***

Acquisitions, investments and other strategic relationships and alliances, if pursued, may involve significant cash expenditures, debt incurrence, operating losses, and expenses that could have a material adverse effect on our financial condition and operating results. Acquisitions involve numerous other risks, including:

- Diversion of management time and attention from daily operations;
- Difficulties integrating acquired businesses, technologies and personnel into our business;
- Inability to obtain required regulatory approvals and/or required financing on favorable terms;
- Entry into new markets in which we have little previous experience;
- Prior approval of any acquisition by TCA (senior lender);
- Potential loss of our key employees, key contractual relationships or key customers of acquired companies; and
- Assumption of the liabilities and exposure to unforeseen liabilities of acquired companies.

If these types of transactions are pursued, it may be difficult for us to complete these transactions quickly and to integrate these acquired operations efficiently into its current business operations. Any acquisitions, investments or other strategic relationships and alliances by us may ultimately harm our business and financial condition. In addition, future acquisitions may not be as successful as originally anticipated and may result in impairment charges.

***We may be required to record a significant charge to earnings as we are required to reassess our goodwill or other intangible assets arising from acquisitions.***

We are required under U.S. GAAP to review our intangible assets, including goodwill for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Goodwill is required to be tested for impairment annually or more frequently if facts and circumstances warrant a review. Factors that may be considered a change in circumstances indicating that the carrying value of our amortizable intangible assets may not be recoverable include a decline in stock price and market capitalization and slower or declining growth rates in our industry. We may be required to record a significant charge to earnings in our financial statements during the period in which any impairment of our goodwill or amortizable intangible assets is determined. During the year ended September 30, 2019, the Company determined that the carrying value of Goodwill and other intangible assets related to the acquisition Howco were impaired and as a result, charges covering the entire carrying value of those assets was taken into operating results.

***Our products may be subject to export regulations; government agencies may require terms that are disadvantageous to our business.***

Our business model contemplates working with law enforcement and possibly military agencies. Because we may sell our products to these customers, we may need to register with the U.S. Department of State under its International Trafficking in Arms Regulations (ITAR). If we choose to sell our products overseas, we may be required to obtain a license from the State Department or face substantial fines or, in an extreme case, a shutdown of our business. Additionally, government agencies typically require provisions in their contracts that allow them to terminate agreements or change purchasing terms in their discretion without notice. Such contractual provisions, if exercised by our customers in the future, could have a material adverse effect on our cash flow and business performance.

***Risks Associated with the Construction Industry***

***Estimating:***

We may estimate projects incorrectly and ultimately lose money. Depending on the scope and price of the project, this loss could be extensive (in hundreds of thousands or possibly millions).

***Regulations:***

In the construction we must comply with federal and state regulations. Federal OSHA/EPA inspectors or state Safety/Environmental inspectors might visit our projects and possibly find violations and ultimately levy thousands of dollars in fines on us. Being fined could also damage our reputation with our customers.

***Workman's Compensation***

Our employees can become injured ultimately driving our workman's compensation MOD higher forcing us to pay higher premiums. Our injured could

potentially sue our customers via third party lawsuits. If that occurs, contractually, we may be obligated to pay defend our customers in court.

#### *Mismanagement*

Because the construction industry is labor intensive, project mismanagement can cost our company potentially tens of thousands and possibly hundreds of thousands of dollars.

#### *Unions*

We could be subject to strikes and work slowdowns. In addition, by hiring more expensive union labor, we will be less competitive on non-union projects.

#### *Theft*

By storing equipment and supplies on project jobsites for long periods of time, we may become a victim of theft. Our employees or employees working for site contractors might steal our equipment and supplies.

#### *Collections*

We may encounter customers who refuse to pay us. We will have to hire attorneys and expend a lot of management's time collecting money from deadbeat customers.

#### *Poor Workmanship*

We may poorly perform on a project and be forced to correct our work ultimately costing us more money than we initially estimated.

#### *Bonding*

Larger projects may require bid and performance bonds. Due to our financial situation, we may find it difficult to find a company that will provide us with the necessary bonding capacity to bid larger projects.

#### *Economic Downturn*

If the northeast economy begins to go into recession, we may find it difficult to secure enough work to keep our construction businesses going. It appears the economy is peaking and will ultimately slide into a recession.

### **Risks Related to Consolidated Operations**

***Since we have acquired Howco and changed its focus to higher margin business resulting in sales declines, it is difficult for potential investors to evaluate our future consolidated business.***

We completed the Howco acquisition on September 9, 2016. Therefore, our limited consistent operating history makes it difficult for potential investors to evaluate our business or prospective operations and your purchase of our securities. Sales declines due to efforts to increase gross margin also impacted cash flow which in turn caused liquidity issues. The result has been that some vendors only accept purchase orders on cash on deliver basis. Therefore, we are subject to the risks inherent in the financing, expenditures, complications and delays inherent in a newly combined business. These risks are described below under the risk factor titled "*Any future acquisitions that we may make could disrupt our business, cause dilution to our stockholders and harm our business, financial condition or operating results.*"

***Failure to manage or protect growth may be detrimental to our business because our infrastructure may not be adequate for expansion***

The Howco acquisition and any planned acquisition require a substantial expansion of our systems, workforce and facilities. We may fail to adequately manage our anticipated future growth. The substantial growth in our operations as a result of the Howco and planned acquisitions is expected to place a significant strain on our administrative, financial and operational resources, and increase demands on our management and on our operational and administrative systems, controls and other resources. Howco's growth strategy includes broadening its service and product offerings, implementing an aggressive marketing plan and employing leading technologies. There can be no assurance that our systems, procedures and controls will be adequate to support our operations as they expand. We cannot assure you that our existing personnel, systems, procedures or controls will be adequate to support our operations in the future or that we will be able to successfully implement appropriate measures consistent with our growth strategy. As part of this growth, we may have to implement new operational and financial systems, procedures and controls to expand, train and manage our employee base, and maintain close coordination among our staff. We cannot guarantee that we will be able to do so, or that if we are able to do so, we will be able to effectively integrate them into our existing staff and systems.

To the extent we acquire other businesses, we will also need to integrate and assimilate new operations, technologies and personnel. The integration of new personnel will continue to result in some disruption to ongoing operations. The ability to effectively manage growth in a rapidly evolving market requires effective planning and management processes. We will need to continue to improve operational, financial and managerial controls, reporting systems and procedures, and will need to continue to expand, train and manage our work force. There can be no assurance that we would be able to accomplish such an expansion on a timely basis. If we are unable to affect any required expansion and are unable to perform under contracts on a timely and satisfactory basis, the reputation and eligibility to secure additional contracts in the future could be damaged. The failure to perform could also result in a contract terminations and significant liability. Any such result would adversely affect our business and financial condition.

***We will need to increase the size of our organization, and we may experience difficulties in managing growth, which would hurt our financial performance.***

In addition to employees hired from Howco and any other companies which we may acquire, we will need to expand our employee infrastructure for managerial, operational, financial and other resources at the parent company level. Future growth will impose significant added responsibilities on members of management, including the need to identify, recruit, maintain and integrate additional employees. Our future financial performance and our ability to commercialize our product candidates and to compete effectively will depend, in part, on our ability to manage any future growth effectively.

In order to manage our future growth, we will need to continue to improve our management, operational and financial controls and our reporting systems and procedures. All of these measures will require significant expenditures and will demand the attention of management. If we do not continue to enhance our management personnel and our operational and financial systems and controls in response to growth in our business, we could experience operating inefficiencies that could impair our competitive position and could increase our costs more than we had planned. If we are unable to manage growth effectively, our business, financial condition and operating results could be adversely affected.

The success of our business depends on the skill of our personnel. Accordingly, it is critical that we maintain, and continue to build, a highly experienced management team and specialized workforce, including sales professionals. Competition for personnel, particularly those with expertise in government consulting and a security clearance is high, and identifying candidates with the appropriate qualifications can be costly and difficult. We may not be able to hire the necessary personnel to implement our business strategy given our anticipated hiring needs, or we may need to provide higher compensation or more training to our personnel than we currently anticipate. In addition, our ability to recruit, hire and indirectly deploy former employees of the U.S. Government is subject to complex laws and regulations, which may serve as an impediment to our ability to attract such former employees.

Our business is labor intensive and our success depends on our ability to attract, retain, train and motivate highly skilled employees, including employees who may become part of our organization in connection with future acquisitions. The increase in demand for consulting, technology integration and managed services has further increased the need for employees with specialized skills or significant experience in these areas. Our ability to expand our operations will be highly dependent on our ability to attract a sufficient number of highly skilled employees and to retain our employees and the employees of companies that we have acquired. We may not be successful in attracting and retaining enough employees to achieve our desired expansion or staffing plans. Furthermore, the industry turnover rates for these types of employees are high and we may not be successful in retaining, training or motivating our employees. Any inability to attract, retain, train and motivate employees could impair our ability to adequately manage and complete existing projects and to accept new client engagements. Such inability may also force us to increase our hiring of independent contractors, which may increase our costs and reduce our profitability on client engagements. We must also devote substantial managerial and financial resources to monitoring and managing our workforce. Our future success will depend on our ability to manage the levels and related costs of our workforce.

In the event we are unable to attract, hire and retain the requisite personnel and subcontractors, we may experience delays in completing contracts in accordance with project schedules and budgets, which may have an adverse effect on our financial results, harm our reputation and cause us to curtail our pursuit of new contracts. Further, any increase in demand for personnel may result in higher costs, causing us to exceed the budget on a contract, which in turn may have an adverse effect on our business, financial condition and operating results and harm our relationships with our customers.

***We expect to expand our business, in part, through future acquisitions, but we may not be able to identify or complete suitable acquisitions, which could harm our financial performance.***

Acquisitions are a significant part of our growth strategy. We continually review, evaluate and consider potential investments and acquisitions. In such evaluations, we are required to make difficult judgments regarding the value of business opportunities and the risks and cost of potential liabilities. We plan to use acquisitions of companies or technologies to expand our project skill-sets and capabilities, expand our geographic markets, add experienced management and increase our product and service offerings. Although we have identified several acquisition considerations, we may be unable to implement our growth strategy if we cannot reach agreement with acquisition targets on acceptable terms or arrange required financing for acquisitions on acceptable terms. In addition, the time and effort involved in attempting to identify acquisition candidates and consummate acquisitions may divert members of our management from the operations of our company.

***Any future acquisitions that we may make could disrupt our business, cause dilution to our stockholders and harm our business, financial condition or operating results.***

If we are successful in consummating acquisitions, those acquisitions could subject us to a number of risks, including, but not limited to:

- the purchase price we pay and/or unanticipated costs could significantly deplete our cash reserves or result in dilution to our existing stockholders;
- we may find that the acquired company or technologies do not improve market position as planned;
- we may have difficulty integrating the operations and personnel of the acquired company, as the combined operations will place significant demands on the Company's management, technical, financial and other resources;
- key personnel and customers of the acquired company may terminate their relationships with the acquired company as a result of the acquisition;

- we may experience additional financial and accounting challenges and complexities in areas such as tax planning and financial reporting;
- we may assume or be held liable for risks and liabilities (including environmental-related costs) as a result of our acquisitions, some of which we may not be able to discover during our due diligence or adequately adjust for in our acquisition arrangements;
- our ongoing business and management's attention may be disrupted or diverted by transition or integration issues and the complexity of managing geographically or culturally diverse enterprises;
- we may incur one-time write-offs or restructuring charges in connection with the acquisition;
- we may acquire goodwill and other intangible assets that are subject to amortization or impairment tests, which could result in future charges to earnings; and
- we may not be able to realize the cost savings or other financial benefits we anticipated.

We cannot assure you that we will successfully integrate or profitably manage any acquired business. In addition, we cannot assure you that, following any acquisition, our continued business will achieve sales levels, profitability, efficiencies or synergies that justify acquisition or that the acquisition will result in increased earnings for us in any future period. These factors could have a material adverse effect on our business, financial condition and operating results.

***Insurance and contractual protections may not always cover lost revenue, increased expenses or liquidated damages payments, which could adversely affect our financial results.***

Although we maintain insurance and intend to obtain warranties from suppliers, obligate subcontractors to meet certain performance levels and attempt, where feasible, to pass risks we cannot control to our customers, the proceeds of such insurance, warranties, performance guarantees or risk sharing arrangements may not be adequate to cover lost revenue, increased expenses or liquidated damages payments that may be required in the future.

***If we are unable to comply with certain financial and operating restrictions in our credit facilities, we may be limited in our business activities and access to credit or may default under our credit facilities***

Pursuant to our Credit Agreement with TCA, all of our assets, including the assets of Howco, are secured with our senior lender. Provisions in the Credit Agreement and debt instruments impose restrictions or require prior approval on our and certain of our subsidiaries' ability to, among other things:

- incur additional debt;
- pay cash dividends and make distributions;

- make certain investments and acquisitions;
- guarantee the indebtedness of others or our subsidiaries;
- redeem or repurchase capital stock;
- create liens or encumbrances;
- enter into transactions with affiliates;
- engage in new lines of business;
- sell, lease or transfer certain parts of our business or property;

- restrictions on incurring obligations for capital expenditures;
- issue additional capital stock of the Company or any subsidiary of the Company;
- acquire new companies and merge or consolidate.

These agreements also contain other customary covenants, including covenants that require us to meet specified financial ratios and financial tests. We may not be able to comply with these covenants in the future. Our failure to comply with these covenants may result in the declaration of an event of default and cause us to be unable to borrow under our credit facilities and debt instruments. In addition to preventing additional borrowings under these agreements, an event of default, if not cured or waived, may result in the acceleration of the maturity of indebtedness outstanding under these agreements, which would require us to pay all amounts outstanding. If the maturity of our indebtedness is accelerated, we may not have sufficient funds available for repayment or we may not have the ability to borrow or obtain sufficient funds to replace the accelerated indebtedness on terms acceptable to us or at all. Our failure to repay our bank indebtedness would result in the bank foreclosing on all or a portion of our assets and force us to curtail our operations.

***Our obligations to our senior secured lender, TCA, are secured by a security interest in substantially all of our assets, so if we default on those obligations, TCA could foreclose on, liquidate and/or take possession of our assets. If that were to happen, we could be forced to curtail, or even to cease, our operations.***

Under the Credit Facility, effective September 13, 2016, with TCA Global Credit Master Fund, L.P. (“TCA”), we borrowed \$3.5 million to acquire Howco and pay certain creditors. The initial loan was due 18 months from the date of the loan and an interest rate of 18% per annum and a default interest rate of 25% per annum. The note, accrued interest, contingency and advisory fees were restructured and as of September 30, 2021, we had approximately \$5,326,285 in outstanding principal and \$1,738,403 interest owed to TCA, in addition to \$421,587, outstanding under the 3(a)(10) settlement agreement. Under the terms of the Credit Facility, all amounts due under it are secured by our assets, including the assets of Howco. As a result of being in default of our payment obligations under the Credit Facility, TCA could foreclose on its security interest and liquidate or take possession of some or all of these assets, which would harm our business, financial condition and results of operations and could require us to curtail, or even to cease, operations. It should be noted that TCA and its asset management company’ and its funds are in receivership. We are in negotiation to settle the obligation in favorable manner.

On September 6, 2019 the Company received a default notice on its payment obligations under the senior secured credit facility agreement from TCA. The Company has proposed a number of solutions including refinancing the debt with other parties. TCA’s funds and management companies are no longer operating and in receivership. The Company expects a favorable settlement following communication with the receiver.

***TCA has certain rights upon an event of default under its Credit Facility that could harm our business, financial condition and results of operations and could require us to curtail or cease our operations.***

In light of being in default under our payment obligations to TCA, it has certain rights under the Credit Facility to protect its financial position, including an increase in the interest rate on any amounts in default under the terms of the Credit Facility, the right to accelerate the payment of any outstanding loans made pursuant to the Credit Facility and the right to foreclose on our assets, among other rights. The Credit Facility includes in its definition of an event of default, among other occurrences, the failure to pay any principal or interest when due, our termination, winding up, liquidation or dissolution, a change of control, a material adverse change in our financial condition and the filing of any lien not bonded, vacated or dismissed within 60 days of its filing. The exercise of any of these rights upon an event of default could substantially harm our financial condition and force us to curtail, or even to cease, our operations.

***We may be subject to damages resulting from claims that the Company or our employees have wrongfully used or disclosed alleged trade secrets of their former employers.***

Upon completion of any acquisitions by the Company, we may be subject to claims that our acquired companies and their employees may have inadvertently or otherwise used or disclosed trade secrets or other proprietary information of former employers or competitors. Litigation may be necessary to defend against these claims. Even if we are successful in defending against these claims, litigation could result in substantial costs and be a distraction to management. If we fail in defending such claims, in addition to paying money claims, we may lose valuable intellectual property rights or personnel. A loss of key research personnel or their work product could hamper or prevent our ability to commercialize certain products, which could severely harm our business.

***The loss of our Chief Executive Officer (CEO) or other key personnel may adversely affect our operations.***

The Company’s success depends to a significant extent upon the operation, experience, and continued services of certain of its officers, including our CEO, as well as other key personnel. While our CEO and the executive officers of Howco are all employed under employment contracts, there is no assurance we will be able to retain their services. The loss of our CEO or several of the other key personnel could have an adverse effect on the Company. If the CEO or other executive officers were to leave, we would face substantial difficulty in hiring a qualified successor and could experience a loss in productivity while any successor obtains the necessary training and experience. In addition, our CEO, CFO and other key personnel do not have prior experience in SEC reporting obligations. Furthermore, we do not maintain “key person” life insurance on the lives of any executive officer and their death or incapacity would have a material adverse effect on us. The competition for qualified personnel is intense, and the loss of services of certain key personnel could adversely affect our business.

***Internal system or service failures could disrupt our business and impair our ability to effectively provide our services and products to our customers, which could damage our reputation and adversely affect our revenues and profitability.***

Any system or service disruptions, including those caused by ongoing projects to improve our information technology systems and the delivery of services, if not anticipated and appropriately mitigated, could have a material adverse effect on our business including, among other things, an adverse effect on our ability to bill our customers for work performed on our contracts, collect the amounts that have been billed and produce accurate financial statements in a timely manner. We are also subject to systems failures, including network, software or hardware failures, whether caused by us, third-party service providers, cyber

security threats, natural disasters, power shortages, terrorist attacks and other events, could cause loss of data and interruptions or delays in our business, cause us to incur remediation costs, subject us to claims and damage our reputation. In addition, the failure or disruption of our communications or utilities could cause us to interrupt or suspend our operations or otherwise adversely affect our business. Our property and business interruption insurance may be inadequate to compensate us for all losses that may occur as a result of any system or operational failure or disruption and, as a result, our future results could be adversely affected.

***Our financial performance could be adversely affected by decreases in spending on technology products and services by our public sector customers.***

Our sales to our public sector customers are impacted by government spending policies, budget priorities and revenue levels. Although our sales to the federal government are diversified across multiple agencies and departments, they collectively accounted for approximately 62% of Howco's net sales. An adverse change in government spending policies (including budget cuts at the federal level resulting from sequestration), budget priorities or revenue levels could cause our public sector customers to reduce their purchases or to terminate or not renew their contracts with us, which could adversely affect our business, results of operations or cash flows.

***Our business could be adversely affected by the loss of certain vendor partner relationships and the availability of their products.***

We purchase products for resale from vendor partners, which include OEMs and wholesale distributors. We are authorized by vendor partners to sell all or some of their products via direct marketing activities. Our authorization with each vendor partner is subject to specific terms and conditions regarding such things as sales channel restrictions, product return privileges, price protection policies and purchase discounts. In the event we were to lose one of our significant vendor partners, our business could be adversely affected. As mentioned above a few vendors have put the Company on a cash on delivery basis.

***We expect to enter into joint ventures, teaming and other arrangements, and these activities involve risks and uncertainties.***

We expect to enter into joint ventures, teaming and other arrangements. These activities involve risks and uncertainties, including the risk of the joint venture or applicable entity failing to satisfy its obligations, which may result in certain liabilities to us for guarantees and other commitments, the challenges in achieving strategic objectives and expected benefits of the business arrangement, the risk of conflicts arising between us and our partners and the difficulty of managing and resolving such conflicts, and the difficulty of managing or otherwise monitoring such business arrangements.

***Our business and operations expose us to numerous legal and regulatory requirements and any violation of these requirements could harm our business.***

We are subject to numerous federal, state and foreign legal requirements on matters as diverse as data privacy and protection, employment and labor relations, immigration, taxation, anticorruption, import/export controls, trade restrictions, internal and disclosure control obligations, securities regulation and anti-competition. Compliance with diverse and changing legal requirements is costly, time-consuming and requires significant resources. We are also focused on expanding our business in certain identified growth areas, such as health information technology, energy and environment, which are highly regulated and may expose us to increased compliance risk. Violations of one or more of these diverse legal requirements in the conduct of our business could result in significant fines and other damages, criminal sanctions against us or our officers, prohibitions on doing business and damage to our reputation. Violations of these regulations or contractual obligations related to regulatory compliance in connection with the performance of customer contracts could also result in liability for significant monetary damages, fines and/or criminal prosecution, unfavorable publicity and other reputational damage, restrictions on our ability to compete for certain work and allegations by our customers that we have not performed our contractual obligations.

***If we do not adequately protect our intellectual property rights, we may experience a loss of revenue and our operations may be materially harmed.***

We registered a patent during the year ended September 30, 2021 and have contracted an attorney to search any potential infringements. In addition, we rely upon confidentiality agreements signed by our employees, consultants and third parties to protect our intellectual property. We cannot assure you that we can adequately protect our intellectual property or successfully prosecute potential infringement of our intellectual property rights. Also, we cannot assure you that others will not assert rights in, or ownership of, trademarks and other proprietary rights of ours or that we will be able to successfully resolve these types of conflicts to our satisfaction. Our failure to protect our intellectual property rights may result in a loss of revenue and could materially adversely affect our operations and financial condition.

#### **Risks Relating to Howco's Business and Industry**

***We depend on the U.S. Government for a substantial portion of our business and changes in government defense spending could have adverse consequences on our financial position, results of operations and business.***

Approximately 62% of our U.S. revenues from Howco's operations have been from and will continue to be from sales and services rendered directly or indirectly to the U.S. Government. Our revenues from the U.S. Government largely result from contracts awarded to us under various U.S. Government programs, primarily defense-related programs with the Department of Defense (DoD), as well as a broad range of programs with the Department of Homeland Security, the intelligence community and other departments and agencies. Cost cutting including through consolidation and elimination of duplicative organizations and insurance has become a major initiative for DoD. The funding of our programs is subject to the overall U.S. Government budget and appropriation decisions and processes which are driven by numerous factors, including geo-political events and macroeconomic conditions. The overall level of U.S. defense spending increased in recent years for numerous reasons, including increases in funding of operations in Iraq and Afghanistan. However, with the winding down of both wars, defense spending levels are becoming increasingly difficult to predict and are expected to be affected by numerous factors. Such factors include priorities of the Administration and the Congress, and the overall health of the U.S. and world economies and the state of governmental finances.

The Budget Control Act of 2011 enacted 10-year discretionary spending caps which are expected to generate over \$1 trillion in savings for the U.S. Government, a substantial portion of which comes from DoD baseline spending reductions. In addition, the Budget Control Act of 2011 provides for additional automatic spending cuts (referred to as "sequestration") totaling \$1.2 trillion over nine years. These reduction targets will further reduce DoD and other federal agency budgets. Although the Office of Management and Budget has provided guidance to agencies on implementing sequestration cuts, there remains much uncertainty about how exactly sequestration cuts will be implemented and the impact those cuts will have on contractors supporting the government. Given the potential impasse over raising the debt ceiling, we are not able to predict their impact of budget cuts, including sequestration, on our company or our financial results. However, we expect that budgetary constraints and concerns related to the national debt will continue to place downward pressure on DoD spending levels and that implementation of the automatic spending cuts without change will reduce, delay or cancel funding for certain of our contracts - particularly those with unobligated balances - and programs and could adversely impact our operations, financial results and growth prospects.

Significant reduction in defense spending could have long-term consequences for our size and structure. In addition, reduction in government priorities and requirements could impact the funding, or the timing of funding, of our programs, which could negatively impact our results of operations and financial condition. In addition, we are involved in U.S. Government programs, which are classified by the U.S. Government and our ability to discuss these programs, including any risks and disputes and claims associated with and our performance under such programs, could be limited due to applicable security restrictions.

***The U.S. Government Systems spare parts business is intensely competitive and we may not be able to win government bids when competing against much***

Large spare parts contracts awarded by the U.S. Government are few in number and are awarded through a formal competitive bidding process, including indefinite delivery/indefinite quantity (“IDIQ”), GSA Schedule and other multi-award contracts. Bids are awarded on the basis of price, compliance with technical bidding specifications, technical expertise and, in some cases, demonstrated management ability to perform the contract. There can be no assurance that the Company will win and/or fulfill additional contracts. Moreover, the award of these contracts is subject to protest procedures and there can be no assurance that the Company will prevail in any ensuing legal protest. Howco’s failure to secure a significant dollar volume of U.S. Government contracts in the future would adversely affect us.

The U.S. Government spare parts business is intensely competitive and subject to rapid change. Many of the existing and potential competitors have greater financial, operating and technological resources than Howco. The competitive environment may require us to make changes in our pricing, services or marketing. The competitive bidding process involves substantial costs and a number of risks, including significant cost and managerial time to prepare bids and proposals for contracts that may not be awarded to us, or that may be awarded, but for which we do not receive meaningful revenues. Accordingly, our success depends on our ability to develop services and products that address changing needs and to provide people and technology needed to deliver these services and products. To remain competitive, we must consistently provide superior service, technology and performance on a cost-effective basis to our customers. Our response to competition could cause us to expend significant financial and other resources, disrupt our operations, strain relationships with partners, any of which could harm our business and/or financial condition.

***Our financial performance is dependent on our ability to perform on our U.S. Government contracts, which are subject to termination for convenience, which could harm our financial performance.***

Our financial performance is dependent on our performance under our U.S. Government contracts. Government customers have the right to cancel any contract for its convenience. An unanticipated termination of, or reduced purchases under, one of the Company’s major contracts whether due to lack of funding, for convenience or otherwise, or the occurrence of delays, cost overruns and product failures could adversely impact our results of operations and financial condition. If one of our contracts were terminated for convenience, we would generally be entitled to payments for our allowable costs and would receive some allowance for profit on the work performed. If one of our contracts were terminated for default, we would generally be entitled to payments for our work that has been accepted by the government. A termination arising out of our default could expose us to liability and have a negative impact on our ability to obtain future contracts and orders. Furthermore, on contracts for which we are a subcontractor and not the prime contractor, the U.S. Government could terminate the prime contract for convenience or otherwise, irrespective of our performance as a subcontractor.

***Our failure to comply with a variety of complex procurement rules and regulations could result in our being liable for penalties, including termination of our U.S. Government contracts, disqualification from bidding on future U.S. Government contracts and suspension or debarment from U.S. Government contracting that could adversely affect our financial condition.***

We must comply with laws and regulations relating to the formation, administration and performance of U.S. Government contracts, which affect how we do business with our customers and may impose added costs on our business. U.S. Government contracts generally are subject to the Federal Acquisition Regulation (FAR), which sets forth policies, procedures and requirements for the acquisition of goods and services by the U.S. Government, department-specific regulations that implement or supplement DFAR, such as the DOD’s Defense Federal Acquisition Regulation Supplement (DFARS) and other applicable laws and regulations. We are also subject to the Truth in Negotiations Act, which requires certification and disclosure of cost and pricing data in connection with certain contract negotiations; the Procurement Integrity Act, which regulates access to competitor bid and proposal information and government source selection information, and our ability to provide compensation to certain former government officials; the Civil False Claims Act, which provides for substantial civil penalties for violations, including for submission of a false or fraudulent claim to the U.S. Government for payment or approval; the Civil False Claims Act, which provides for substantial civil penalties for violations, including for submission of a false or fraudulent claim to the U.S. Government for payment or approval; and the U.S. Government Cost Accounting Standards, which impose accounting requirements that govern our right to reimbursement under certain cost-based U.S. Government contracts. These regulations impose a broad range of requirements, many of which are unique to government contracting, including various procurement, import and export, security, contract pricing and cost, contract termination and adjustment, and audit requirements. A contractor’s failure to comply with these regulations and requirements could result in reductions to the value of contracts, contract modifications or termination, and the assessment of penalties and fines and lead to suspension or debarment, for cause, from government contracting or subcontracting for a period of time. In addition, government contractors are also subject to routine audits and investigations by U.S. Government agencies such as the Defense Contract Audit Agency (DCAA) and Defense Contract Management Agency (DCMA). These agencies review a contractor’s performance under its contracts, cost structure and compliance with applicable laws, regulations and standards. The DCAA also reviews the adequacy of and a contractor’s compliance with its internal control systems and policies, including the contractor’s purchasing, property, estimating, compensation and management information systems. During the term of any suspension or debarment by any U.S. Government agency, contractors can be prohibited from competing for or being awarded contracts by U.S. Government agencies. The termination of any of the Company’s significant Government contracts or the imposition of fines, damages, suspensions or debarment would adversely affect the Company’s business and financial condition.

***The U.S. Government may adopt new contract rules and regulations or revise its procurement practices in a manner adverse to us at any time.***

Our industry has experienced, and we expect it will continue to experience, significant changes to business practices as a result of an increased focus on affordability, efficiencies, and recovery of costs, among other items. U.S. Government agencies may face restrictions or pressure regarding the type and amount of services that they may obtain from private contractors. Legislation, regulations and initiatives dealing with procurement reform, mitigation of potential conflicts of interest and environmental responsibility or sustainability, as well as any resulting shifts in the buying practices of U.S. Government agencies, such as increased usage of fixed price contracts, multiple award contracts and small business set-aside contracts, could have adverse effects on government contractors, including us. Any of these changes could impair our ability to obtain new contracts or renew our existing contracts when those contracts are compared to other contract bids. Any new contracting requirements or procurement methods could be costly or administratively difficult for us to implement and could adversely affect our future revenues, profitability and prospects.

***We may incur cost overruns as a result of fixed priced government contracts which would have a negative impact on our operations.***

A number of Howco’s current U.S. Government contracts are multi-award, multi-year IDIQ task order based contracts, which generally provide for fixed price schedules for products and services, have no pre-set delivery schedules, have very low minimum purchase requirements, are typically competed among multiple awardees and force us to carry the burden of any cost overruns. Due to their nature, fixed-priced contracts inherently have more risk than cost reimbursable contracts. If we are unable to control costs or if our initial cost estimates are incorrect, we can lose money on these contracts. In addition, some of our contracts have provisions relating to cost controls and audit rights, and if we fail to meet the terms specified in those contracts, we may not realize their full benefits. Lower earnings caused by cost overruns and cost controls would have a negative impact on our results of operations. The U.S. Government has the right to enter into contracts with other suppliers, which may be competitive with the Company’s IDIQ contracts. The Company also performs fixed priced contracts under which the Company agrees to provide specific quantities of products and services over time for a fixed price. Since the price competition to win both IDIQ and fixed price contracts is intense and the costs of future contract performance cannot be predicted with certainty, there can be no assurance as to the profits, if any, that the Company will realize over the term of such contracts.

***Misconduct of employees, subcontractors, agents and business partners could cause us to lose existing contracts or customers and adversely affect our ability to obtain new contracts and customers and could have a significant adverse impact on our business and reputation.***

Misconduct could include fraud or other improper activities such as falsifying time or other records and violations of laws, including the Anti-Kickback Act. Other examples could include the failure to comply with our policies and procedures or with federal, state or local government procurement regulations, regulations regarding the use and safeguarding of classified or other protected information, legislation regarding the pricing of labor and other costs in government

contracts, laws and regulations relating to environmental, health or safety matters, bribery of foreign government officials, import-export control, lobbying or similar activities, and any other applicable laws or regulations. Any data loss or information security lapses resulting in the compromise of personal information or the improper use or disclosure of sensitive or classified information could result in claims, remediation costs, regulatory sanctions against us, loss of current and future contracts and serious harm to our reputation. Although we have implemented policies, procedures and controls to prevent and detect these activities, these precautions may not prevent all misconduct, and as a result, we could face unknown risks or losses. Our failure to comply with applicable laws or regulations or misconduct by any of our employees, subcontractors, agents or business partners could damage our reputation and subject us to fines and penalties, restitution or other damages, loss of security clearance, loss of current and future customer contracts and suspension or debarment from contracting with federal, state or local government agencies, any of which would adversely affect our business, reputation and our future results.

***We may fail to obtain and maintain necessary security clearances, which may adversely affect our ability to perform on certain U.S. government contracts and depress our potential revenues.***

Many U.S. government programs require contractors to have security clearances. Depending on the level of required clearance, security clearances can be difficult and time-consuming to obtain. If we or our employees are unable to obtain or retain necessary security clearances, we may not be able to win new business, and our existing clients could terminate their contracts with us or decide not to renew them. To the extent we are not able to obtain and maintain facility security clearances or engage employees with the required security clearances for a particular contract, we may not be able to bid on or win new contracts, or effectively rebid on expiring contracts, as well as lose existing contracts, which may adversely affect our operating results and inhibit the execution of our growth strategy.

***Our future revenues and growth prospects could be adversely affected by our dependence on other contractors.***

If other contractors with whom we have contractual relationships either as a prime contractor or subcontractor eliminate or reduce their work with us, or if the U.S. Government terminates or reduces these other contractors' programs, does not award them new contracts or refuses to pay under a contract our financial and business condition may be adversely affected. Companies that do not have access to U.S. Government contracts may perform services as our subcontractor and that exposure could enhance such companies' prospect of securing a future position as a prime U.S. Government contractor which could increase competition for future contracts and impair our ability to perform on contracts.

We may have disputes with our subcontractors arising from, among other things, the quality and timeliness of work performed by the subcontractor, customer concerns about the subcontractor, our failure to extend existing task orders or issue new task orders under a subcontract, our hiring of a subcontractor's personnel or the subcontractor's failure to comply with applicable law. Current uncertain economic conditions heighten the risk of financial stress of our subcontractors, which could adversely impact their ability to meet their contractual requirements to us. If any of our subcontractors fail to timely meet their contractual obligations or have regulatory compliance or other problems, our ability to fulfill our obligations as a prime contractor or higher tier subcontractor may be jeopardized. Significant losses could arise in future periods and subcontractor performance deficiencies could result in our termination for default. A termination for default could eliminate a revenue source, expose us to liability and have an adverse effect on our ability to compete for future contracts and task orders, especially if the customer is an agency of the U.S. Government.

***Our international business exposes us to geo-political and economic factors, regulatory requirements and other risks associated with doing business in foreign countries.***

We intend to engage in additional foreign operations which pose complex management, foreign currency, legal, tax and economic risks, which we may not adequately address. These risks differ from and potentially may be greater than those associated with our domestic business.

Our international business is sensitive to changes in the priorities and budgets of international customers and geo-political uncertainties, which may be driven by changes in threat environments and potentially volatile worldwide economic conditions, various regional and local economic and political factors, risks and uncertainties, as well as U.S. foreign policy. Our international sales are subject to U.S. laws, regulations and policies, including the International Traffic in Arms Regulations (ITAR) and the Foreign Corrupt Practices Act (see below) and other export laws and regulations. Due to the nature of our products, we must first obtain licenses and authorizations from various U.S. Government agencies before we are permitted to sell our products outside of the U.S. We can give no assurance that we will continue to be successful in obtaining the necessary licenses or authorizations or that certain sales will not be prevented or delayed. Any significant impairment of our ability to sell products outside of the U.S. could negatively impact our results of operations and financial condition.

Our international sales are also subject to local government laws, regulations and procurement policies and practices which may differ from U.S. Government regulations, including regulations relating to import-export control, investments, exchange controls and repatriation of earnings, as well as to varying currency, geo-political and economic risks. Our international contracts may include industrial cooperation agreements requiring specific in-country purchases, manufacturing agreements or financial support obligations, known as offset obligations, and provide for penalties if we fail to meet such requirements. Our international contracts may also be subject to termination at the customer's convenience or for default based on performance, and may be subject to funding risks. We also are exposed to risks associated with using foreign representatives and consultants for international sales and operations and teaming with international subcontractors, partners and suppliers in connection with international programs. As a result of these factors, we could experience award and funding delays on international programs and could incur losses on such programs, which could negatively impact our results of operations and financial condition.

We are also subject to a number of other risks including:

- the absence in some jurisdictions of effective laws to protect our intellectual property rights;
- multiple and possibly overlapping and conflicting tax laws;
- restrictions on movement of cash;
- the burdens of complying with a variety of national and local laws;
- political instability;

- currency fluctuations;
- longer payment cycles;
- restrictions on the import and export of certain technologies;
- price controls or restrictions on exchange of foreign currencies; and
- trade barriers.

***Our international operations are subject to special U.S. government laws and regulations, such as the Foreign Corrupt Practices Act, and regulations and***

Our international operations are subject to the U.S. Foreign Corrupt Practices Act, or the FCPA, and other laws that prohibit improper payments or offers of payments to foreign governments and their officials and political parties by U.S. and other business entities for the purpose of obtaining or retaining business. We have operations and deal with governmental customers in countries known to experience corruption, including certain countries in the Middle East and in the future, the Far East. Our activities in these countries create the risk of unauthorized payments or offers of payments by one of our employees, consultants or contractors that could be in violation of various laws including the FCPA, even though these parties are not always subject to our control. We are also subject to import-export control regulations restricting the use and dissemination of information classified for national security purposes and the export of certain products, services, and technical data, including requirements regarding any applicable licensing of our employees involved in such work.

***As a U.S. defense contractor, we are vulnerable to security threats and other disruptions that could negatively impact our business.***

As a U.S. defense contractor, we face certain security threats, including threats to our information technology infrastructure, attempts to gain access to our proprietary or classified information, and threats to physical security. These types of events could disrupt our operations, require significant management attention and resources, and could negatively impact our reputation among our customers and the public, which could have a negative impact on our financial condition, results of operations and liquidity. We are continuously exposed to cyber-attacks and other security threats, including physical break-ins. Any electronic or physical break-in or other security breach or compromise may jeopardize security of information stored or transmitted through our information technology systems and networks. This could lead to disruptions in mission-critical systems, unauthorized release of confidential or otherwise protected information and corruption of data. Although we have implemented policies, procedures and controls to protect against, detect and mitigate these threats, we face advanced and persistent attacks on our information systems and attempts by others to gain unauthorized access to our information technology systems are becoming more sophisticated. These attempts include covertly introducing malware to our computers and networks and impersonating authorized users, among others, and may be perpetrated by well-funded organized crime or state sponsored efforts. We seek to detect and investigate all security incidents and to prevent their occurrence or recurrence. We continue to invest in and improve our threat protection, detection and mitigation policies, procedures and controls. In addition, we work with other companies in the industry and government participants on increased awareness and enhanced protections against cyber security threats. However, because of the evolving nature and sophistication of these security threats, which can be difficult to detect, there can be no assurance that our policies, procedures and controls have or will detect or prevent any of these threats and we cannot predict the full impact of any such past or future incident. Although we work cooperatively with our customers and other business partners to seek to minimize the impacts of cyber and other security threats, we must rely on the safeguards put in place by those entities. Any remedial costs or other liabilities related to cyber or other security threats may not be fully insured or indemnified by other means. Occurrence of any of these security threats could expose us to claims, contract terminations and damages and could adversely affect our reputation, ability to work on sensitive U.S. Government contracts, business operations and financial results.

***Difficult conditions in the global capital markets and the economy generally may materially adversely affect our business and results of operations.***

Our results of operations are materially affected by conditions in the global capital markets and the economy generally, both in the U.S. and elsewhere around the world. Weak economic conditions sustained uncertainty about global economic conditions, concerns about future U.S. budgetary cuts, or a prolonged or further tightening of credit markets could cause our customers and potential customers to postpone or reduce spending on technology products or services or put downward pressure on prices, which could have an adverse effect on our business, results of operations or cash flows. In the event of extreme prolonged adverse market events, such as a global credit crisis, we could incur significant losses.

## **Risks Related to Our Common Stock**

***We are eligible to be treated as an “emerging growth company” as defined in the Jumpstart Our Business Startups Act of 2012, and we cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make our common stock less attractive to investors.***

We are an “emerging growth company”, as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. For as long as we continue to be an emerging growth company, we may take advantage of exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies, including (1) not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002, which we refer to as the Sarbanes-Oxley Act, (2) reduced disclosure obligations regarding executive compensation in this Form S-1 and our periodic reports and proxy statements and (3) exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. In addition, as an emerging growth company, we are only required to provide two years of audited financial statements and two years of selected financial data in this Form S-1. We could be an emerging growth company for up to five years, although circumstances could cause us to lose that status earlier, including if the market value of our common stock held by non-affiliates exceeds \$700.0 million as of any June 30 before that time or if we have total annual gross revenue of \$1.0 billion or more during any fiscal year before that time, in which cases we would no longer be an emerging growth company as of the following December 31 or, if we issue more than \$1.0 billion in non-convertible debt during any three-year period before that time, we would cease to be an emerging growth company immediately. Even after we no longer qualify as an emerging growth company, we may still qualify as a “smaller reporting company” which would allow us to take advantage of many of the same exemptions from disclosure requirements, including not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act and reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements. We cannot predict if investors will find our common stock less attractive because we may rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile.

Our independent registered public accounting firm will not be required to formally attest to the effectiveness of our internal control over financial reporting until the later of our second annual report or the first annual report required to be filed with the Commission following the date we are no longer an “emerging growth company” as defined in the JOBS “Act. We cannot assure you that there will not be material weaknesses or significant deficiencies in our internal controls in the future.

Under the JOBS Act, emerging growth companies can also delay adopting new or revised accounting standards until such time as those standards apply to private companies. We have irrevocably elected not to avail ourselves of this exemption from new or revised accounting standards and, therefore, will be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies.

***Our directors and executive officers beneficially own a significant number of shares of our common stock. Their interests may conflict with our outside stockholders, who may be unable to influence management and exercise control over our business.***

As of the date of this Form S-1, our executive officers and directors beneficially own approximately 5.6% of our shares of common stock and the CEO owns 250 shares of Series A preferred stock the voting rights for the Series A shares entitles the shareholder to voting rights equal to the number of common shares outstanding divided by .99 which will always grant the holder a majority voting capability. As a result, our executive officers and directors may be able to: elect or defeat the election of our directors, amend or prevent amendment to our certificates of incorporation or bylaws, effect or prevent a merger, sale of assets or other corporate transaction, and control the outcome of any other matter submitted to the shareholders for vote. Accordingly, our outside stockholders may be unable to influence management and exercise control over our business.



We have never paid any dividends to our common stockholders as a public company. We currently intend to retain any future earnings for funding growth and, therefore, do not expect to pay any cash dividends in the foreseeable future. If we determine that we will pay cash dividends to the holders of our common stock, we cannot assure that such cash dividends will be paid on a timely basis. The success of your investment in the Company will likely depend entirely upon any future appreciation. As a result, you will not receive any return on your investment prior to selling your shares in our Company and, for the other reasons discussed in this “Risk Factors” section, you may not receive any return on your investment even when you sell your shares in our Company.

***Anti-Takeover, Limited Liability and Indemnification Provisions***

***Some provisions of our certificate of incorporation and by-laws may deter takeover attempts, which may inhibit a takeover that stockholders consider favorable and limit the opportunity of our stockholders to sell their shares at a favorable price.***

Under our certificate of incorporation, our Board of Directors may issue additional shares of common or preferred stock. Our Board of Directors has the ability to authorize “blank check” preferred stock without future shareholder approval. This makes it possible for our board of directors to issue preferred stock with voting or other rights or preferences that could impede the success of any attempt to acquire us by means of a merger, tender offer, proxy contest or otherwise, including a transaction in which our stockholders would receive a premium over the market price for their shares and/or any other transaction that might otherwise be deemed to be in their best interests, and thereby protects the continuity of our management and limits an investor’s opportunity to profit by their investment in the Company. Specifically, if in the due exercise of its fiduciary obligations, the Board of Directors were to determine that a takeover proposal was not in our best interest, shares could be issued by our Board of Directors without stockholder approval in one or more transactions that might prevent or render more difficult or costly the completion of the takeover by:

- diluting the voting or other rights of the proposed acquirer or insurgent stockholder group,
- putting a substantial voting block in institutional or other hands that might undertake to support the incumbent Board of Directors, or
- effecting an acquisition that might complicate or preclude the takeover.

***Delaware’s Anti-Takeover Law may discourage acquirers and eliminate a potentially beneficial sale for our stockholders.***

We are subject to the provisions of the Delaware Shareholder Protection Act concerning corporate takeovers. This section prevents many Delaware corporations from engaging in a business combination with any interested stockholder, under specified circumstances. For these purposes, a business combination includes a merger or sale of more than 5% of our assets, and an interested stockholder includes a stockholder who owns 10% or more of our outstanding voting stock, as well as affiliates and associates of these persons. Under these provisions, this type of business combination is prohibited for three years following the date that the stockholder became an interested stockholder unless:

- the transaction in which the stockholder became an interested stockholder is approved by the Board of directors prior to the date the interested stockholder attained that status;
- on consummation of the transaction that resulted in the stockholder’s becoming an interested stockholder, the interested stockholder owned at least 90% of the voting stock of the corporation outstanding at the time the transaction was commenced, excluding those shares owned by persons who are directors and also officers; or
- on or subsequent to that date, the business combination is approved by the Board of Directors and authorized at an annual or special meeting of stockholders by the affirmative vote of at least a majority of the outstanding voting stock that is not owned by the interested stockholder.

This statute could prohibit or delay mergers or other takeover or change in control attempts and, accordingly, may discourage attempts to acquire us.

***Our indemnification of our officers and directors may cause us to use corporate resources to the detriment of our stockholders.***

Our certificate of incorporation eliminates the personal liability of our directors for monetary damages arising from a breach of their fiduciary duty as directors to the fullest extent permitted by Delaware law. This limitation does not affect the availability of equitable remedies, such as injunctive relief or rescission. Our certificate of incorporation requires us to indemnify our directors and officers to the fullest extent permitted by Delaware law, including in circumstances in which indemnification is otherwise discretionary under Delaware law.

Under Delaware law, we may indemnify our directors or officers or other persons who were, are or are threatened to be made a named defendant or respondent in a proceeding because the person is or was our director, officer, employee or agent, if we determine that the person:

- conducted himself or herself in good faith, reasonably believed, in the case of conduct in his or her official capacity as our director or officer, that his or her conduct was in our best interests, and, in all other cases, that his or her conduct was at least not opposed to our best interests; and
- in the case of any criminal proceeding, had no reasonable cause to believe that his or her conduct was unlawful.

These persons may be indemnified against expenses, including attorneys’ fees, judgments, fines, including excise taxes, and amounts paid in settlement, actually and reasonably incurred, by the person in connection with the proceeding. If the person is found liable to the corporation, no indemnification will be made unless the court in which the action was brought determines that the person is fairly and reasonably entitled to indemnity in an amount that the court will establish.

Insofar as indemnification for liabilities under the Securities Act may be permitted to directors, officers or persons controlling us under the above provisions, we have been informed that, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable.

***Our bylaws designate the Court of Chancery of the State of Delaware as the exclusive forum for certain litigation that may be initiated by our stockholders, which could limit our stockholders’ ability to obtain a favorable judicial forum for disputes with us.***

Under the provisions of our amended and restated bylaws (“bylaws”), unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware will be the sole and exclusive forum for: (i) any derivative action or proceeding brought on behalf of us; (ii) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers or other employees or agents to us or our stockholders; (iii) any action asserting a claim against us arising pursuant to any provision of the Delaware General Corporation Law or our amended certificate of incorporation or bylaws; or (iv) any action asserting a claim against us governed by the internal affairs doctrine. By becoming a stockholder in our company, you will be deemed to have notice of and have consented to the provisions of our bylaws related to choice of forum. The choice of forum provision in our bylaws may limit our stockholders’ ability to obtain a favorable judicial forum for disputes with us.

***The obligations associated with being a public company require significant resources and management attention, which may divert from our business operations.***

We are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and The Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act. The Exchange Act requires that we file annual, quarterly and current reports with respect to our business and financial condition, proxy statement, and other information. The Sarbanes-Oxley Act requires, among other things, that we establish and maintain effective internal controls and procedures for financial reporting. Our Chief Executive Officer and Chief Financial Officer will need to certify that our disclosure controls and procedures are effective in ensuring that material information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. We may need to hire additional financial reporting, internal controls and other financial personnel in order to develop and implement appropriate internal controls and reporting procedures. As a result, we will incur significant legal, accounting and other expenses. Furthermore, the need to establish the corporate infrastructure demanded of a public company may divert management’s attention from implementing our growth strategy, which could prevent us from improving our business, results of operations and financial condition. We have made, and will continue to make, changes to our internal controls and procedures for financial reporting and accounting systems to meet our reporting obligations as a public company. However, the measures we take may not be sufficient to satisfy our obligations as a public company. In addition, we cannot predict or estimate the amount of additional costs we may incur in order to comply with these requirements. We anticipate that these costs will materially increase our selling, general and administrative expenses.

Section 404 of the Sarbanes-Oxley Act requires annual management assessments of the effectiveness of our internal control over financial reporting. In connection with the implementation of the necessary procedures and practices related to internal control over financial reporting, we may identify deficiencies. If we are unable to comply with the internal controls requirements of the Sarbanes-Oxley Act of 2002, then we may not be able to obtain the independent account and certifications required by that act, which may preclude us from keeping our filings with the SEC current, and interfere with the ability of investors to trade our securities and our shares to continue to be quoted on the OTCQB or our ability to list our shares on any national securities exchange.

***If we fail to establish and maintain an effective system of internal controls, we may not be able to report our financial results accurately or prevent fraud. Any inability to report and file our financial results accurately and timely could harm our reputation and adversely impact the trading price of our common stock.***

Effective internal controls are necessary for us to provide reliable financial reports and prevent fraud. If we cannot provide reliable financial reports or prevent fraud, we may not be able to manage our business as effectively as we would if an effective control environment existed, and our business and reputation with investors may be harmed. With each prospective acquisition we may make we will conduct whatever due diligence is necessary or prudent to assure us that the acquisition target can comply with the internal controls’ requirements of the Sarbanes-Oxley Act. Notwithstanding our diligence, certain internal controls deficiencies may not be detected. As a result, any internal control deficiencies may adversely affect our financial condition, results of operations and access to capital. We have not performed an in-depth analysis to determine if historical undiscovered failures of internal controls exist, and may in the future discover areas of our internal controls that need improvement.

***Public company compliance may make it more difficult to attract and retain officers and directors.***

The Sarbanes-Oxley Act and rules implemented by the SEC have required changes in corporate governance practices of public companies. As a public company, these rules and regulations increase our compliance costs and make certain activities more time consuming and costly. As a public company, these rules and regulations may make it more difficult and expensive for us to maintain our director and officer liability insurance and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. As a result, it may be more difficult for us to attract and retain qualified persons to serve on our board of directors or as executive officers, and to maintain insurance at reasonable rates, or at all.

***Our stock price may be volatile.***

The market price of our common stock is likely to be highly volatile and could fluctuate widely in price in response to various factors, many of which are beyond our control, including the following:

- our ability to execute our business plan and complete prospective acquisitions;
- changes in our industry;
- competitive pricing pressures;
- our ability to obtain working capital financing;
- additions or departures of key personnel;
- limited “public float” in the hands of a small number of persons whose sales or lack of sales could result in positive or negative pricing pressure on the market price for our common stock;
- sales of our common stock;
- operating results that fall below expectations;

- regulatory developments;
- economic and other external factors;
- period-to-period fluctuations in our financial results;
- our inability to develop or acquire new or needed technologies;
- the public’s response to press releases or other public announcements by us or third parties, including filings with the SEC;
- changes in financial estimates or ratings by any securities analysts who follow our common stock, our failure to meet these estimates or failure of those analysts to initiate or maintain coverage of our common stock;
- the development and sustainability of an active trading market for our common stock; and
- any future sales of our common stock by our officers, directors and significant stockholders.

In addition, the securities markets have from time to time experienced significant price and volume fluctuations that are unrelated to the operating performance of particular companies. These market fluctuations may also materially and adversely affect the market price of our common stock.

***Our shares of common stock are thinly traded, the price may not reflect our value, and there can be no assurance that there will be an active market for our shares of common stock either now or in the future.***

Our shares of common stock are thinly traded, our common stock is available to be traded and is held by a small number of holders, and the price may not reflect our actual or perceived value. There can be no assurance that there will be an active market for our shares of common stock either now or in the future. The market liquidity will be dependent on the perception of our operating business, among other things. We will take certain steps including utilizing investor awareness campaigns and firms, press releases, road shows and conferences to increase awareness of our business. Any steps that we might take to bring us to the awareness of investors may require that we compensate consultants with cash and/or stock. There can be no assurance that there will be any awareness generated or the results of any efforts will result in any impact on our trading volume. Consequently, investors may not be able to liquidate their investment or liquidate it at a price that reflects the value of the business, and trading may be at an inflated price relative to the performance of the Company due to, among other things, the availability of sellers of our shares.

If an active market should develop, the price may be highly volatile. Because there is currently a low price for our shares of common stock, many brokerage firms or clearing firms are not willing to effect transactions in the securities or accept our shares for deposit in an account. Many lending institutions will not permit the use of low-priced shares of common stock as collateral for any loans. Furthermore, our securities are currently traded on the OTCQB where it is more difficult (1) to obtain accurate quotations, (2) to obtain coverage for significant news events because major wire services generally do not publish press releases about these companies, and (3) to obtain needed capital.

***Our common stock may be deemed a “penny stock,” which would make it more difficult for our investors to sell their shares.***

Our common stock is currently subject to the “penny stock” rules adopted under Section 15(g) of the Exchange Act. The penny stock rules generally apply to companies whose common stock is not listed on The Nasdaq Stock Market or another national securities exchange and trades at less than \$4.00 per share, other than companies that have had average revenues of at least \$6,000,000 for the last three years or that have tangible net worth of at least \$5,000,000 (\$2,000,000 if the company has been operating for three or more years). These rules require, among other things, that brokers who trade penny stock to persons other than “established customers” complete certain documentation, make suitability inquiries of investors and provide investors with certain information concerning trading in the security, including a risk disclosure document and quote information under certain circumstances. Many brokers have decided not to trade penny stocks because of the requirements of the penny stock rules and, as a result, the number of broker-dealers willing to act as market makers in these securities is limited. If we remain subject to the penny stock rules for any significant period, it could have an adverse effect on the market, if any, for our securities. If our securities are subject to the penny stock rules, investors will find it more difficult to dispose of our securities.

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***Offers or availability for sale of a substantial number of shares of our common stock may cause the price of our common stock to decline.***

If our stockholders sell substantial amounts of our common stock in the public market upon the expiration of any statutory holding period under Rule 144, or shares issued upon the exercise of outstanding options or warrants, it could create a circumstance commonly referred to as an “overhang” and, in anticipation of which, the market price of our common stock could fall. The existence of an overhang, whether or not sales have occurred or are occurring, also could make more difficult our ability to raise additional financing through the sale of equity or equity-related securities in the future at a time and price that we deem reasonable or appropriate.

Our Form S-1 filings disclose the dilutive effect of the Company’s stock sales under various offerings.

Sales of substantial amounts of our common stock in the public market, or the perception that these sales could occur, could adversely affect the price of our common stock and impair our ability to raise capital through the sale of shares.

***Because we became public by means of a reverse merger, we may not be able to attract the attention of major brokerage firms.***

There may be risks associated with us having become public through a “reverse merger.” Securities analysts of major brokerage firms may not provide coverage of us since there is no incentive to brokerage firms to recommend the purchase of our common stock. No assurance can be given that brokerage firms will, in the future, want to conduct any offerings on our behalf.

***Any substantial sale of stock by existing shareholders could depress the market value of our stock, thereby devaluing the market price and causing investors to risk losing all or part of their investment.***

Stockholders, including our directors and officers hold a large number of our outstanding shares. We can make no prediction as to the effect, if any, that sales of shares, or the availability of shares for future sale, will have on the prevailing market price of our shares of common stock. Sales of substantial amounts of shares in the public market, or the perception that such sales could occur, could depress prevailing market prices for the shares. Such sales may also make it more difficult for us to sell equity securities or equity-related securities in the future at a time and price which it deems appropriate.

***Our issuance of preferred stock in the future may adversely affect the rights of our common stockholders.***

Our certificate of incorporation permits us to issue up to 5,000,000 shares of preferred stock with such rights and preferences as the Board of Directors may designate. As a result, our Board of Directors may authorize a series of preferred stock that would grant to preferred stockholders’ preferential rights to our assets upon liquidation; the right to receive dividends before dividends become payable to our common stockholders; the right to redemption of the preferred stock prior to the redemption of our common stock; and super-voting rights to our preferred stockholders. To the extent that we designate and issue such a class or series of preferred stock, the rights of our common stockholders may be impaired.

## **Risks Related to Our IP**

***Our Success May Depend on Our Ability to Obtain and Protect the Proprietary Information on Which We Base Our UAV Products.***

As we acquire companies with intellectual property (“IP”) that is important to the development of our UAV products, we will need to:

- obtain valid and enforceable patents;
- protect trade secrets; and
- operate without infringing upon the proprietary rights of others.

We will be able to protect our proprietary technology from unauthorized use by third parties only to the extent that such proprietary rights are covered by valid and enforceable patents or are effectively maintained as trade secrets. Any non-confidential disclosure to or misappropriation by third parties of our confidential or proprietary information could enable competitors to quickly duplicate or surpass our technological achievements, thus eroding our competitive position in our market.

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The patent application process, also known as patent prosecution, is expensive and time-consuming, and we and our current or future licensors and licensees may not be able to prepare, file and prosecute all necessary or desirable patent applications at a reasonable cost or in a timely manner. It is also possible that we or our current licensors, or any future licensors or licensees, will fail to identify patentable aspects of inventions made in the course of development and commercialization activities before it is too late to obtain patent protection on them. Therefore, these and any of our patents and applications may not be prosecuted and enforced in a manner consistent with the best interests of our business. It is possible that defects of form in the preparation or filing of our patents or patent applications may exist, or may arise in the future, for example with respect to proper priority claims or inventorship. If we or our current licensors or licensees, or any future licensors or licensees, fail to establish, maintain or protect such patents and other intellectual property rights, such rights may be reduced or eliminated. If our current licensors or licensees, or any future licensors or licensees, are not fully cooperative or disagree with us as to the prosecution, maintenance or enforcement of any patent rights, such patent rights could be compromised. If there are material defects in the form or preparation of our patents or patent applications, such patents or applications may be invalid and unenforceable. Any of these outcomes could impair our ability to prevent competition from third parties, which may harm our business.

The patent applications that we may own or license may fail to result in issued patents in the United States or in other countries. Even if patents do issue on such patent applications, third parties may challenge the validity, enforceability or scope thereof, which may result in such patents being narrowed, invalidated or held unenforceable. For example, U.S. patents can be challenged by any person before the new USPTO Patent Trial and Appeals Board at any time within the one-year period following that person's receipt of an allegation of infringement of the patents. Patents granted by the European Patent Office may be similarly opposed by any person within nine months from the publication of the grant. Similar proceedings are available in other jurisdictions, and in the United States, Europe and other jurisdictions third parties can raise questions of validity with a patent office even before a patent has granted. Furthermore, even if they are unchallenged, our patents and patent applications may not adequately protect our intellectual property or prevent others from designing around our claims. If the breadth or strength of protection provided by the patents and patent applications we hold or pursue with respect to our product candidates is successfully challenged, then our ability to commercialize such product candidates could be negatively affected, and we may face unexpected competition that could harm our business. Further, if we encounter delays in our clinical trials, the period of time during which we or our collaborators could market our product candidates under patent protection would be reduced.

The degree of future protection of our proprietary rights is uncertain. Patent protection may be unavailable or severely limited in some cases and may not adequately protect our rights or permit us to gain or keep our competitive advantage. For example:

- we might not have been the first to invent or the first to file the inventions covered by each of our pending patent applications and issued patents;
- others may be able to make, use, sell, offer to sell or import products that are similar to our products or product candidates but that are not covered by the claims of our patents; others may independently develop similar or alternative technologies or duplicate any of our technologies;
- the proprietary rights of others may have an adverse effect on our business;
- any proprietary rights we do obtain may not encompass commercially viable products, may not provide us with any competitive advantages or may be challenged by third parties;
- any patents we obtain or our in-licensed issued patents may not be valid or enforceable; or
- we may not develop additional technologies or products that are patentable or suitable to maintain as trade secrets.

If we or our current licensors or licensees, or any future licensors or licensees, fail to prosecute, maintain and enforce patent protection for our product candidates, our ability to develop and commercialize our product candidates could be harmed and we might not be able to prevent competitors from making, using and selling competing products. This failure to properly protect the intellectual property rights relating to our product candidates could harm our business, financial condition and operating results. Moreover, our competitors may independently develop equivalent knowledge, methods and know-how.

Even where laws provide protection, costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights, and the outcome of such litigation would be uncertain. If we or one of our collaborators were to initiate legal proceedings against a third party to enforce a patent covering the product candidate, the defendant could assert an affirmative defense or counterclaim that our patent is not infringed, invalid and/or unenforceable. In patent litigation in the United States, defendant defenses and counterclaims alleging non-infringement, invalidity and/or unenforceability are commonplace. Grounds for a validity challenge could be an alleged failure to meet any of several statutory requirements, including lack of novelty, anticipation or obviousness, and lack of written description, definiteness or enablement. Patents may be unenforceable if someone connected with prosecution of the patent withheld material information from the USPTO, or made a misleading statement, during prosecution. The outcomes of proceedings involving assertions of invalidity and unenforceability are unpredictable. It is possible that prior art of which we and the patent examiner were unaware during prosecution exists, which would render our patents invalid. Moreover, it is also possible that prior art may exist that we are aware of, but that we do not believe are relevant to our current or future patents, that could nevertheless be determined to render our patents invalid. If a defendant were to prevail on a legal assertion of invalidity and/or unenforceability of our patents covering one of our product candidates, we would lose at least part, and perhaps all, of the patent protection on such product candidate. Such a loss of patent protection would harm our business. Moreover, our competitors could counterclaim in any suit to enforce our patents that we infringe their intellectual property. Furthermore, some of our competitors have substantially greater intellectual property portfolios, and resources, than we do.

Our ability to stop third parties from using our technology or making, using, selling, offering to sell or importing our products is dependent upon the extent to which we have rights under valid and enforceable patents that cover these activities. If any patent we currently or in the future may own or license is deemed not infringed, invalid or unenforceable, it could impact our commercial success. We cannot predict the breadth of claims that may be issued from any patent applications we currently or may in the future own or license from third parties.

To the extent that consultants or key employees apply technological information independently developed by them or by others to our product candidates, disputes may arise as to who has the proprietary rights to such information and product candidates, and certain of such disputes may not be resolved in our favor. Consultants and key employees that work with our confidential and proprietary technologies are required to assign all intellectual property rights in their inventions and discoveries created during the scope of their work to our company. However, these consultants or key employees may terminate their relationship with us, and we cannot preclude them indefinitely from dealing with our competitors.

***If we are unable to prevent disclosure of our trade secrets or other confidential information to third parties, our competitive position may be impaired.***

We also may rely on trade secrets to protect our technology, especially where we do not believe patent protection is appropriate or obtainable. Our ability to stop third parties from obtaining the information or know-how necessary to make, use, sell, offer to sell or import our products or practice our technology is dependent in part upon the extent to which we prevent disclosure of the trade secrets that cover these activities. Trade secret rights can be lost through disclosure to third parties. Although we use reasonable efforts to protect our trade secrets, our employees, consultants, contractors, outside scientific collaborators and other advisors may unintentionally or willfully disclose our trade secrets to third parties, resulting in loss of trade secret protection. Moreover, our competitors may independently develop equivalent knowledge, methods and know-how, which would not constitute a violation of our trade secret rights. Enforcing a claim that a third party is engaged in the unlawful use of our trade secrets is expensive, difficult and time consuming, and the outcome is unpredictable. In addition, recognition of rights in trade secrets and a willingness to enforce trade secrets differs in certain jurisdictions.

***If we are sued for infringing intellectual property rights of third parties, it will be costly and time consuming, and an unfavorable outcome in that litigation***

Our commercial success depends significantly on our ability to operate without infringing, violating or misappropriating the patents and other proprietary rights of third parties. Our own technologies we acquire or develop may infringe, violate or misappropriate the patents or other proprietary rights of third parties, or we may be subject to third-party claims of such infringement. Numerous U.S. and foreign issued patents and pending patent applications owned by third parties, exist in the fields in which we are developing our product candidates. Because some patent applications may be maintained in secrecy until the patents are issued, because publication of patent applications is often delayed, and because publications in the scientific literature often lag behind actual discoveries, we cannot be certain that we were the first to invent the technology or that others have not filed patent applications for technology covered by our pending applications. We may not be aware of patents that have already issued that a third party might assert are infringed by our product candidates. It is also possible that patents of which we are aware, but which we do not believe are relevant to our product candidates, could nevertheless be found to be infringed by our product candidates. Moreover, we may face patent infringement claims from non-practicing entities that have no relevant product revenue and against whom our own patent portfolio may thus have no deterrent effect. In the future, we may agree to indemnify our manufacturing partners against certain intellectual property claims brought by third parties.

Intellectual property litigation involves many risks and uncertainties, and there is no assurance that we will prevail in any lawsuit brought against us. Third parties making claims against us for infringement, violation or misappropriation of their intellectual property rights may seek and obtain injunctive or other equitable relief, which could effectively block our ability to further develop and commercialize our product candidates. Further, if a patent infringement suit were brought against us, we could be forced to stop or delay research, development, manufacturing or sales of the product or product candidate that is the subject of the suit. Defense of these claims, regardless of their merit, would cause us to incur substantial expenses and, would be a substantial diversion of resources from our business. In the event of a successful claim of any such infringement, violation or misappropriation, we may need to obtain licenses from such third parties and we and our partners may be prevented from pursuing product development or commercialization and/or may be required to pay damages. We cannot be certain that any licenses required under such patents or proprietary rights would be made available to us, or that any offer to license would be made available to us on commercially reasonable terms. If we cannot obtain such licenses, we and our collaborators may be restricted or prevented from manufacturing and selling products employing our technology. These adverse results, if they occur, could adversely affect our business, results of operations and prospects, and the value of our shares.

***We may become involved in lawsuits to protect or enforce our patents or other intellectual property, which could be expensive, time consuming and unsuccessful.***

The defense and prosecution of contractual or intellectual property lawsuits, USPTO interference or derivation proceedings, European Patent Office oppositions and related legal and administrative proceedings in the United States, Europe and other countries, involve complex legal and factual questions. As a result, such proceedings may be costly and time-consuming to pursue and their outcome is uncertain.

Litigation may be necessary to:

- protect and enforce our patents and any future patents issuing on our patent applications;
- enforce or clarify the terms of the licenses we have granted or may be granted in the future;
- protect and enforce trade secrets, know-how and other proprietary rights that we own or have licensed, or may license in the future; or
- determine the enforceability, scope and validity of the proprietary rights of third parties and defend against alleged patent infringement.

Competitors may infringe our intellectual property. As a result, we may be required to file infringement claims to stop third-party infringement or unauthorized use. This can be expensive, particularly for a company of our size, and time-consuming. In addition, in an infringement proceeding, a court may decide that a patent of ours is not valid or is unenforceable, or may refuse to stop the other party from using the technology at issue on the grounds that our patent claims do not cover its technology or that the factors necessary to grant an injunction against an infringer are not satisfied. An adverse determination of any litigation or other proceedings could put one or more of our patents at risk of being invalidated, interpreted narrowly, or amended such that they do not cover our product candidates. Moreover, such adverse determinations could put our patent applications at risk of not issuing, or issuing with limited and potentially inadequate scope to cover our product candidates or to prevent others from marketing similar products.

Interference, derivation or other proceedings brought at the USPTO, may be necessary to determine the priority or patentability of inventions with respect to our patent applications or those of our licensors or potential collaborators. Litigation or USPTO proceedings brought by us may fail or may be invoked against us by third parties. Even if we are successful, domestic or foreign litigation or USPTO or foreign patent office proceedings may result in substantial costs and distraction to our management. We may not be able, alone or with our licensors or potential collaborators, to prevent misappropriation of our proprietary rights, particularly in countries where the laws may not protect such rights as fully as in the United States.

Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation or other proceedings, there is a risk that some of our confidential information could be compromised by disclosure during this type of litigation or other proceedings. In addition, during the course of this kind of litigation or proceedings, there could be public announcements of the results of hearings, motions or other interim proceedings or developments or public access to related documents. If investors perceive these results to be negative, the market price for our common stock could be significantly harmed.

Some of our competitors may be able to sustain the costs of patent-related disputes, including patent litigation, more effectively than we can because they have substantially greater resources. In addition, any uncertainties resulting from the initiation and continuation of any litigation could have a material adverse effect on our ability to raise the funds necessary to continue our operations.

***We may not be able to enforce our intellectual property rights throughout the world.***

Filing, prosecuting and defending patents on our product candidates in all countries throughout the world would be prohibitively expensive. The requirements for patentability may differ in certain countries, particularly in developing countries. Moreover, our ability to protect and enforce our intellectual property rights may be adversely affected by unforeseen changes in foreign intellectual property laws. Additionally, laws of some countries outside of the United States do not afford intellectual property protection to the same extent as the laws of the United States. Many companies have encountered significant problems in protecting and defending intellectual property rights in certain foreign jurisdictions. The legal systems of some countries, particularly developing countries, do not favor the enforcement of patents and other intellectual property rights. This could make it difficult for us to stop the infringement of our patents or the misappropriation of our other intellectual property rights. For example, many foreign countries have compulsory licensing laws under which a patent owner must grant licenses to third parties. Consequently, we may not be able to prevent third parties from practicing our inventions in all countries outside the United States. Competitors may use our technologies in jurisdictions where we have not obtained patent protection to develop their own products and, further, may export otherwise infringing products to territories where we have patent protection, if our ability to enforce our patents to stop infringing activities is inadequate. These products may compete with our products, and our patents or other intellectual property rights may not be effective or sufficient to prevent them from competing.

Proceedings to enforce our patent rights in foreign jurisdictions, whether or not successful, could result in substantial costs and divert our efforts and resources from other aspects of our business. Furthermore, while we intend to protect our intellectual property rights in major markets for our products, we cannot ensure that we will be able to initiate or maintain similar efforts in all jurisdictions in which we may wish to market our products. Accordingly, our efforts to protect

## Where You Can Find Us

Our principal executive offices are located at:

Bantec, Inc.  
195 Paterson Avenue, Little Falls, NJ 07424  
Our telephone number at this address is: (203) 220-2296  
Our website address is <http://www.droneusainc.com>

### **CAUTIONARY STATEMENT ON FORWARD-LOOKING STATEMENTS**

This prospectus contains forward-looking statements. These statements relate to future events or our future financial performance. We have attempted to identify forward-looking statements by terminology including “anticipates,” “believes,” “can,” “continue,” “could,” “estimates,” “expects,” “intends,” “may,” “plans,” “potential,” “predicts,” “should” or “will” 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, including those discussed under “Risk Factors.” The following factors, among others, could cause our actual results and performance to differ materially from the results and performance projected in, or implied by, the forward-looking statements:

- the success of our existing and new technologies;
- our ability to successfully develop and expand our operations;
- changes in economic conditions, including continuing effects from the recent recession;
- damage to our reputation or lack of acceptance of our brands;
- economic and other trends and developments, including adverse weather conditions, in those local or regional areas in which our operations are concentrated;
- increases in our labor costs, including as a result of changes in government regulation;
- labor shortages or increased labor costs;
- increasing competition in the industry in general;
- changes in attitudes or negative publicity regarding drug safety and health concerns;
- the success of our marketing programs;
- potential fluctuations in our quarterly operating results due to new products and other factors;
- the effect on existing products of focusing on other products in the same markets;
- of our management team;
- strain on our infrastructure and resources caused by our growth;
- the impact of federal, state or local government regulations relating to the industry;
- the impact of litigation;
- statements regarding our goals, intentions, plans and expectations, including the introduction of new products and markets and locations we intend to target in the future;
- statements regarding the anticipated timing and impact of our pending acquisitions;
- statement regarding our expectation with respect to the potential issuance of stock or shares in connection with our acquisitions or in connection with providing services to client companies.; and
- statement with respect to having adequate liquidity.

The following factors, among others, could cause actual results to differ materially from the anticipated results or other expectations expressed in the forward-looking statements:

- changes in the pace of legislation;
- other regulatory developments that could limit the market for our products;
- our ability to successfully integrate acquired entities;
- competitive developments, including the possibility of new entrants into our primary markets;
- the loss of key personnel; and
- other risks discussed in this document.

All forward-looking statements in this document are based on information currently available to us as of the date of this prospectus, and we assume no obligation to update any forward-looking statements other than as required by law.

**USE OF PROCEEDS**

Because the offering is a best-efforts offering, we are presenting this information assuming that we sell 25%, 50% and 100% of the shares offered hereby. For purposes of this table, we used \$0.0006, the per-share offering price.

	<b>25%</b>	<b>50%</b>	<b>100%</b>
Gross offering proceeds	\$ 450,000	\$ 900,000	\$ 1,800,000
Estimated expenses of the offering	\$ 35,000	\$ 35,000	\$ 35,000
Net proceeds from the offering	<u>\$ 415,000</u>	<u>\$ 865,000</u>	<u>\$ 1,765,000</u>

We intend to use the net proceeds as follows:

Expansion of company's administrative offices, additional staffing in sales, marketing and support personnel, working capital and general corporate purposes.

General and administrative expenses pertain to operating expenses rather than to expenses that can be directly related to the production of any goods or services, utilities, insurance and managerial salaries which may come at a later date.

This expected use of the net proceeds from this offering and our existing cash, cash equivalents and short-term investments represents our intentions based upon our current plans and business conditions. The amounts and timing of our actual expenditures may vary significantly depending on numerous factors, including the progress of our development and commercialization efforts, the status of and results from clinical trials, as well as any collaborations that we may enter into with third parties, and any unforeseen cash needs. As a result, our management will retain broad discretion over the allocation of the net proceeds from this offering. We have no current agreements, commitments or understandings for any material acquisitions or licenses of any products, businesses or technologies.

Our management will have broad discretion over the uses of the net proceeds from this offering. Pending these uses, we intend to invest the net proceeds from this offering in a variety of capital preservation investments, including short-term, interest-bearing investment grade securities, money market accounts, certificates of deposit and direct or guaranteed obligations of the U.S. government.

**DETERMINATION OF THE OFFERING PRICE**

We currently expect the offering price to be \$0.0006 per share of our common stock for the shares of stock being offered by us pursuant to this prospectus.

The offering price of the common stock has been arbitrarily determined by our board of directors and bears no relationship to any objective criterion of value. The price does not bear any relationship to the Company's assets, book value, historical earnings or net worth. In determining the offering price, the board of directors considered such factors as the lack of recent trading prices of the common stock, the board's perception of our future prospects, past and anticipated operating results, present financial resources and the likelihood of selling the shares of common stock offered hereby. Accordingly, the offering price should not be considered an indication of the actual value of the Company or the common stock.

As noted above you should not consider the offering price as an indication of value of our common stock. You should not assume or expect that, after the offering, our shares of common stock will trade at or above the offering price in any given time period. Our stock is not quoted on any major stock market. The market price of our common stock may decline during or after the offering, and you may not be able to sell the underlying shares of our common stock purchased during the offering at a price equal to or greater than the offering price. You should obtain advice from your financial advisor before purchasing shares and make your own assessment of our business and financial condition, our prospects for the future, and the terms of the offering.

**DILUTION**

The offering price of the Shares of Common Stock being offered for sale pursuant to this Offering is substantially higher than the book value per share of the Common Stock. Accordingly, investors purchasing the Shares pursuant to this Offering will experience an immediate and significant dilution in the book value per share of the Shares purchased. We may choose to raise additional capital due to market conditions or strategic considerations even if we believe we have sufficient funds for our current or future operating plans. To the extent additional capital is raised through the sale of equity or convertible debt securities, the issuance of these securities could result in further dilution to our stockholders. See Management's Discussion and Analysis—We may require additional capital to finance our operations in the future, but that capital may not be available when it is needed and could be dilutive to existing stockholders and we can sell additional shares of common stock without consulting stockholders and without offering shares to existing stockholders, which would result in dilution of stockholders' interests in Bantec, Inc. and could depress our stock price.

**DILUTION TABLE**

The price of the current offering is fixed at \$0.0006 per common share. This price is significantly higher than the price paid by our Directors and Officers for common equity since the Company's inception.

Assuming completion of the offering, there will be up to 5,693,360,585 common shares outstanding. The following table illustrates the per common share dilution that may be experienced by investors at various funding levels based on the Company's tangible net worth of \$15,046,145 as of September 30, 2021.

<b>Percentage of funding</b>	<b>100%</b>	<b>75%</b>	<b>50%</b>	<b>25%</b>
Offering price	\$ 0.0006	\$ 0.0006	\$ 0.0006	\$ 0.0006
Shares after offering	5,693,360,585	4,943,360,585	4,193,360,585	3,433,360,585
Amount of net new funding	\$ 1,800,000	\$ 1,350,000	\$ 900,000	\$ 450,000
Proceeds, net of est. offering costs	\$ 1,765,000	\$ 1,315,000	\$ 865,000	\$ 415,000
Book value before offering (per share)	(0.0056)	(0.0056)	(0.0056)	(0.0056)
Book value after offering (per share)	(0.0023)	(0.0028)	(0.0034)	(0.0042)
Increase in book value per share	0.0033	0.0028	0.0022	0.0013
Dilution to investors	0.0029	0.0034	0.004	0.0048
Dilution as percentage of outstanding shares	52.7%	45.5%	35.8%	21.8%

## MARKET FOR REGISTRANT'S COMMON STOCK, DIVIDEND POLICY AND RELATED STOCKHOLDER MATTERS

### Market Information

Our common stock is quoted on the OTCPink under the trading symbol "BANT".

The following table sets forth the quarterly high and low sales price per share of our common stock for the periods indicated. The prices represent inter-dealer quotations, which do not include retail mark-up, mark-down or commission and may not necessarily represent actual transactions.

<u>QUARTER ENDED</u>	<u>HIGH</u>	<u>LOW</u>
December 31, 2021	\$ 0.0036	\$ 0.001
September 30, 2021	\$ 0.0072	\$ 0.0028
June 30, 2021	\$ 0.0174	\$ 0.0068
March 31, 2021	\$ 0.1	\$ 0.003
December 31, 2020	\$ 0.0051	\$ 0.0021
September 30, 2020	\$ 0.479	\$ 0.00225
June 30, 2020	\$ 0.045	\$ 0.0023
March 31, 2020	\$ 0.1799	\$ 0.001
December 31, 2019	\$ 0.2	\$ 0.1

### Holders

As of December 20, 2021, there were 2,693,360,585, shares of common stock outstanding, which were held by approximately 314 record holders.

As of the date of this Form S-1, we have no present commitments to issue shares of our capital stock to any 5% holder, director or nominee, other than pursuant to the exercise of outstanding options as more fully set forth elsewhere in this Form S-1.

### Dividends

We have never paid cash dividends on any of our capital stock and we currently intend to retain our future earnings, if any, to fund the development and growth of our business. We do not intend to pay cash dividends to holders of our common stock in the foreseeable future.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### Cautionary Note Regarding Forward-Looking Information and Factors That May Affect Future Results

This S-1 contains forward-looking statements regarding our business, financial condition, results of operations and prospects. The Securities and Exchange Commission (the "SEC") encourages companies to disclose forward-looking information so that investors can better understand a company's future prospects and make informed investment decisions. This filing and other written and oral statements that we make from time to time contain such forward-looking statements that set out anticipated results based on management's plans and assumptions regarding future events or performance. We have tried, wherever possible, to identify such statements by using words such as "anticipate," "estimate," "expect," "project," "intend," "plan," "believe," "will" and similar expressions in connection with any discussion of future operating or financial performance. In particular, these include statements relating to future actions, future performance or results of current and anticipated sales efforts, expenses, the outcome of contingencies, such as legal proceedings, and financial results. Factors that could cause our actual results of operations and financial condition to differ materially are set forth on pages 9 – 33 of this filing and in our Annual Report on Form 10-K for the fiscal year ended September 30, 2021, as filed with the SEC on January 7, 2022.

We caution that these factors could cause our actual results of operations and financial condition to differ materially from those expressed in any forward-looking statements we make and that investors should not place undue reliance on any such forward-looking statements. Further, any forward-looking statement speaks only as of the date on which such statement is made, and we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of anticipated or unanticipated events or circumstances. New factors emerge from time to time, and it is not possible for us to predict all of such factors. Further, we cannot assess the impact of each such factor on our results of operations or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

The following discussion should be read in conjunction with our consolidated financial statements and the related notes that appear elsewhere in this Form S-1.

### Overview

Bantec, Inc. is a product and service company targeting the U.S. Government, state governments, municipalities, hospitals, universities, manufacturers and other building owners. Bantec also provides product procurement, distribution, and logistics services through its wholly-owned subsidiary, Howco Distributing Co., ("Howco") (collectively, the "Company") to the United States Department of Defense and Defense Logistics Agency. The Company established Bantec Sanitizing in fiscal 2021, which offers sanitizing products and equipment through its new store bantec.store. Bantec Construction, LLC was established to perform general contracting, currently the plan for the company is to provide general contracting for projects emanating from Bantec Sanitizing for floor, wall and ceiling installation of materials that are easily sanitized. The Company has operations based in Little Falls, New Jersey and Vancouver, Washington. The Company continues to seek strategic acquisitions and partnerships that offer us an opportunity to grow sales and profit.

### Liquidity and Capital Resources

As of September 30, 2021, we had \$1,205,058 in current assets, including \$985,953 in cash, compared to \$593,405 in current assets, including \$164,014 in cash, at September 30, 2020. Current liabilities at September 30, 2021 totaled \$15,914,650 compared to \$16,807,686 at September 30, 2020. The increase in current assets from September 30, 2020 to September 30, 2021 is primarily due to the sales of common stock for cash thereby increasing cash by \$821,939, slightly offset by decreases in accounts receivable of \$221,003. The decrease in current liabilities from September 30, 2020 to September 30, 2021 is primarily due to the decrease in: accounts payable of approximately \$166,000, convertible notes payable and related premiums of approximately \$648,000, slightly offset by increases in accrued expenses of approximately \$721,000. While we have revenues as of this date, no significant construction, environmental or drone revenues are anticipated until we are implementing our full strategic plan of acquisitions and organic growth. We must raise cash to implement our strategy to grow and expand per our business plan. We anticipate over the next 12 months the cost of being a reporting public company will be approximately \$250,000.

We are currently issuing shares under the S-1 offering but expect to raise additional proceeds with debt securities, and/or more loans, however if sufficient



funding is not available, we would be required to cease business operations. As a result, investors would lose all of their investment. Under the terms of our credit agreement with TCA, all potential new investments must first be reviewed and approved by TCA, which may constrain our options for new fundraising. However, we have been in contact with the receiver for the TCA management companies and funds and do not expect any such objections over investment opportunities.

We anticipate our short-term liquidity needs to be approximately \$7,500,000 which will be used to satisfy certain of our existing current liabilities and we expect gross profits of approximately \$1,000,000. To meet these needs, we intend to complete our equity financing and refinance or restructure certain existing liabilities. Once this is completed, and we implement our sales and marketing plan to sell UAV products, we anticipate minimal long-term liquidity needs which we expect to meet through equity financing or short-term borrowings.

Additionally, we will have to meet all the financial disclosure and reporting requirements associated with being a publicly reporting company. Our management will have to spend additional time on policies and procedures to make sure it is compliant with various regulatory requirements, especially that of Section 404 of the Sarbanes-Oxley Act of 2002. This additional corporate governance time required of management could limit the amount of time management has to implement the business plan and may impede the speed of its operations.

The following is a summary of the Company's cash flows provided by (used in) operating, investing and financing activities:

	Year Ended September 30, 2021	Year Ended September 30, 2020
Net Cash Used in Operating Activities	\$ (1,576,648)	\$ (491,000)
Net Cash Used in Investing Activities	\$ (44,650)	\$ -
Net Cash Provided by Financing Activities	\$ 2,443,237	\$ 505,182
Net (Decrease) Increase in Cash	\$ 821,939	\$ 14,182

2021, Net cash used in operating activities of \$1,576,648, is largely the result of net losses of \$1,882,071, net gain on debt extinguishment, partially offset by non-cash charges for premiums on stock settled debt of \$407,186 and increases in account payable and accrued expenses of \$703,927.

2021, Cash used in investing of \$44,650 is due to purchase of patents and related legal fees to register and protect the patent.

2021, Cash provided by financing activities is largely the result of stock sales for cash of \$3,083,930 and cash received from issuance of convertible notes totaling \$487,500, somewhat offset by repayments of various debts including fee notes and other financing arrangements at Howco having a net repayment of approximately \$128,000. Refer also to the Consolidated Statements of Changes in Cash Flows included in the financial statement section of this report.

## Results of Operations

### Year Ended September 30, 2021 and 2020

We generated sales of \$2,422,996 and \$4,455,186 for the years ended September 30, 2021 and 2020, respectively. For the years ended September 30, 2021 and 2020, we reported cost of goods sold of \$1,553,516 and \$3,351,438, respectively. The decrease in sales and cost of goods sold for the 2021 period is primarily due to liquidity shortfalls impacting inventory availability.

For the years ended September 30, 2021 and 2020, we reported selling, general, and administrative expenses of \$2,834,856 as compared to \$2,830,140, an increase of approximately \$4,700 or 0.2%. For the year ended September 30, 2021, selling, general, and administrative expenses consist primarily of professional and consulting fees of approximately \$905,000, payroll costs of approximately \$1,549,000, and other expenses of approximately \$380,000, including rent of approximately \$67,000, and travel related costs of approximately \$33,000. For the year ended September 30, 2020, selling, general, and administrative expenses consist primarily of professional and consulting fees of approximately \$757,000, payroll costs of approximately \$1,793,000, other expenses of approximately \$179,000, rent of approximately \$68,000, and travel related costs of approximately \$33,000. For the years ended September 30, 2021 and 2020, payroll costs and professional consulting fees included stock-based compensation of approximately \$251,000 and \$127,000, respectively. The slight increase in selling, general, and administrative costs for the 2021 periods is primarily due to the increases in professional fees and other SGA, partially offset by compensation costs.

For the years ended September 30, 2021 and 2020, depreciation expense amounted to approximately \$7,000 and \$11,000, respectively, and is related to the depreciation for demonstration drones.

For the years ended September 30, 2021 and 2020, interest and financing costs amounted to approximately \$1,440,000 and \$1,598,000, respectively. The decrease in interest and financing costs is due primarily to the settlement of debt.

During the years ended September 30, 2021 and 2020 the Company incurred net gains on debt extinguishment of approximately \$1,537,000 and net losses on debt extinguishment of approximately \$993,000, respectively.

As a result, we reported a net loss of \$1,882,071, or \$0.001 per common share, and \$4,328,318, or \$0.05 per common share, for the years ended September 30, 2021 and 2020, respectively.

## Off-Balance Sheet Arrangements

We do not have any 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 investors.

## Critical Accounting Policies and Significant Accounting Estimates

Our consolidated financial statements and accompanying notes have been prepared in accordance with United States generally accepted accounting principles applied on a consistent basis. The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, 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 periods.

We regularly evaluate the accounting policies and estimates that we use to prepare our consolidated financial statements. In general, management's estimates are based on historical experience, and on various other assumptions that are believed to be reasonable under the facts and circumstances. Actual results could differ from those estimates made by management.

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include the allowance for bad debt on

We have identified the accounting policies below as critical to our business operations.

### Accounts Receivable

Trade receivables are recorded at net realizable value consisting of the carrying amount less the allowance for doubtful accounts, as needed. Factors used to establish an allowance include the credit quality of the customer and whether the balance is significant. The Company may also use the direct write-off method to account for uncollectible accounts that are not received. Using the direct write-off method, trade receivable balances are written off to bad debt expense when an account balance is deemed to be uncollectible.

### Goodwill and Intangible Assets

The Company acquired a patent for a new product during the year ended September 30, 2021. The Company capitalized acquisition and related legal fees related to the patent totaling \$44,650. The capitalized amount will be amortized over the next three years. Impairment will be tested annually or as indicators of impairment are available.

### Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Impairment is determined by comparing the carrying value of the long-lived assets to the estimated undiscounted future cash flows expected to result from use of the assets and their ultimate disposition. In instances where impairment is determined to exist, the Company writes down the asset to its fair value based on the present value of estimated future cash flows.

### Revenue Recognition

Effective October 1, 2018, the Company adopted Accounting Standards Codification (“ASC”) 606, Revenue From Contracts With Customers, which is effective for public business entities with annual reporting periods beginning after December 15, 2017. This new revenue recognition standard (new guidance) has a five-step process: a) Determine whether a contract exists; b) Identify the performance obligations; c) Determine the transaction price; d) Allocate the transaction price; and e) Recognize revenue when (or as) performance obligations are satisfied. The Company’s initial application of ASC 606 did not have a material impact on its financial statements and disclosures and there was no cumulative effect of the adoption of ASC 606.

The Company sells a variety of products to government entities. The purchase orders received specifies each item and its manufacturer; the Company only needs to fulfill the performance obligation by shipping the specified items. No other performance obligations exist under the terms of the contracts. The Company recognizes revenue for the agreed upon sales price when the product is shipped to the customer, which satisfies the performance obligation.

During the year-ended September 30, 2021, the Company through its subsidiary Howco entered into contracts to package products for a third-party company servicing the same government customer base. The contracts were on job lot basis as shipped to Howco for packaging. The customer was billed upon completion each job lot at which time revenue was recognized.

The Company sells drones and related products manufactured by third parties to various parties. The Company also offers technical services related to drone utilization and performs other services. The Company began offering insulation jackets for commercial and government facilities to insulate and monitor heating and cooling equipment. Contracts for drone related products and services and insulating jacket related sales will be evaluated using the five-step process outline above. There have been no material sales for drone products or other services for which full compliance with performance obligations has not been met. Sales of insulation jackets have not yet commenced. Upon significant sales for drone products and services and insulation jackets, the Company will disaggregate sales by these lines of business and within the lines of business to the extent that the product or service has different revenue recognition characteristics.

### Stock-Based Compensation

Stock-based compensation is accounted for based on the requirements of ASC 718 – “*Compensation – Stock Compensation*”, which requires recognition in the financial statements of the cost of employee and director services received in exchange for an award of equity instruments over the period the employee or director is required to perform the services in exchange for the award (presumptively, the vesting period). The ASC also requires measurement of the cost of employee and director services received in exchange for an award based on the grant-date fair value of the award. The Company utilizes the Black-Sholes option pricing model and uses the simplified method to determine expected term because of lack of sufficient exercise history. Additionally, effective October 1, 2016, the Company adopted the Accounting Standards Update No. 2016-09 (“ASU 2016-09”), *Improvements to Employee Share-Based Payment Accounting*. Among other changes, ASU 2016-09 permits the election of an accounting policy for forfeitures of share-based payment awards, either to recognize forfeitures as they occur or estimate forfeitures over the vesting period of the award. The Company has elected to recognize forfeitures as they occur and the cumulative impact of this change did not have any effect on the Company’s consolidated financial statements and related disclosures.

As of October 1, 2018, the Company has early adopted ASU 2018-7 Compensation-Stock Compensation which conforms the accounting for non-employees to the accounting treatment for employees. The new standard replaces using a fair value as of each reporting date with use of the calculated fair value as of the grant date. The implementation of the standard provides for the use of the fair market value as of the adoption date, rather than using the value as of the original grant date. Therefore, the values calculated and reported at September 30, 2018 become a proxy for the grant date value. The Company utilizes the Black-Sholes option pricing model and uses the simplified method to determine expected term because of lack of sufficient exercise history. There was no cumulative effect on the adoption date.

### Derivative Liabilities

The Company has certain financial instruments that are derivatives or contain embedded derivatives. The Company evaluates all its financial instruments to determine if those contracts or any potential embedded components of those contracts qualify as derivatives to be separately accounted for in accordance with ASC 810-10-05-4 and 815-40. This accounting treatment requires that the carrying amount of any derivatives be recorded at fair value at issuance and marked-to-market at each balance sheet date. In the event that the fair value is recorded as a liability, as is the case with the Company, the change in the fair value during the period is recorded as either other income or expense. Upon conversion, exercise or repayment, the respective derivative liability is marked to fair value at the conversion, repayment or exercise date and then the related fair value amount is reclassified to other income or expense as part of gain or loss on extinguishment.

### Convertible Notes with Fixed Rate Conversion Options

The Company may enter into convertible notes, some of which contain, predominantly, fixed rate conversion features, whereby the outstanding principal and accrued interest may be converted by the holder, into common shares at a fixed discount to the market price of the common stock at the time of conversion. This results in a fair value of the convertible note being equal to a fixed monetary amount. The Company records the convertible note liability at its fixed monetary

amount by measuring the recording a premium, as applicable, on the Note date with a charge to interest expense in accordance with ASC 480 - "Distinguishing Liabilities from Equity".

## **Net Loss Per Share**

Basic loss per share is calculated by dividing the loss attributable to stockholders by the weighted-average number of shares outstanding for the period. Diluted loss per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that shared in the earnings (loss) of the Company. Diluted loss per share is computed by dividing the loss available to stockholders by the weighted average number of shares outstanding for the period and dilutive potential shares outstanding unless such dilutive potential shares would result in anti-dilution.

## **Lease Accounting**

In February 2016, the FASB issued a new accounting standard on leases. The new standard, among other changes, will require lessees to recognize a right-of-use asset and a lease liability on the balance sheet for all leases. The lease liability will be measured at the present value of the lease payments over the lease term. The right-of-use asset will be measured at the lease liability amount, adjusted for lease prepayments, lease incentives received and the lessee's initial direct costs (e.g. commissions). The new standard is effective for annual reporting periods beginning after December 15, 2018, including interim reporting periods within those annual reporting periods. The adoption will require a modified retrospective approach for leases that exist or are entered into after the beginning of the earliest period presented.

## **Disclosure controls and procedures**

Under the supervision and with the participation of the Company's management, including its Chief Executive Officer and Chief Financial Officer the Company conducted an evaluation of the effectiveness of the Company's disclosure controls and procedures, as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act"), as of the end of the period covered by this annual report. Based on this evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded as of September 30, 2021 that the Company's disclosure controls and procedures were not effective such that the information required to be disclosed in the Company's United States Securities and Exchange Commission (the "SEC") reports is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms, and is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, currently the same person to allow timely decisions regarding required disclosure.

The ineffectiveness of our disclosure controls and procedures was due to the following material weaknesses in our internal control over financial reporting. Currently there is no staff with knowledge of Generally Accepted Accounting Procedures on site at Howco. The current procedures and controls need to be improved for inventory accounting cut-off, timeliness of period end financial closing and account analysis. Since the resignation of our former CFO in July 2017, we have not had a qualified in-house financial accounting expert to maintain our parent company and consolidation level books and records. To remediate this situation, we have engaged outsourced accountants.

## **Changes in internal control over financial reporting**

There have been no changes in our internal control over financial reporting during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## **QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Not applicable.

## **LEGAL PROCEEDINGS**

In connection with the merger with Texas Wyoming Drilling, Inc., a vendor has a claim for unpaid bills of approximately \$75,000 against the Company. The Company and its legal counsel believe the Company is not liable for the claim pursuant to its indemnification clause in the merger agreement.

On February 6, 2018 the Company sent a letter to the previous owners of Howco Distributing Co. ("Howco") alleging that they made certain financial misrepresentations under the terms of the Stock Purchase Agreement by which the Company acquired control of Howco during 2016. The Company claimed that the previous owners took excessive amounts of cash from the business prior to the close of the merger. On March 13, 2018 the Company filed a lawsuit against the previous owners by issuing a summons. On April 12, 2018, the Company received the Defendants' answer. On July 22, 2019, the Company sought and was granted a dismissal without prejudice of the lawsuit filed against the previous owners of Howco. The Company and the previous owners are in discussion to settle the matter as of September 30, 2021. An informal oral agreement with the Seller has been made whereby the Company has been paying the previous owners \$3,000 per month since January 2021 in satisfaction of Sellers note payable.

In the suit Drone USA, Inc and Michael Bannon (plaintiffs) vs Dennis Antonelos (former Chief Financial Officer or CFO), currently pending in New York State court, the plaintiffs seek to compel the former CFO to meet his obligations under an agreement guaranteeing payments to another former executive. The former CFO filed a cross-claim against the plaintiffs for past due salary. The employment agreement with the former CFO allowed salary payments to be paid in cash or stock. During the year ended September 30, 2021, the Company issued 36,821,330 shares of its common stock for the past due salary and claims that this payment moots the former CFO's claim for past due salary. The former CFO filed a motion for summary judgement which was denied, then filed an appeal to that order which is now pending. No trial date has been set.

On April 10, 2019, a former service provider filed a complaint with three charges with the Superior Court Judicial District of New Haven, CT seeking payment for professional services. The Company has previously recognized expenses of \$218,637, which remain unpaid in accounts payable. The Company has retained an attorney who is currently working to address the complaint. On August 9, 2019 the Company filed a motion to dismiss the charge of unjust enrichment. The judge granted the Company's motion to dismiss. The Company, through its attorney, is working to negotiate a settlement.

During the year ended September 30, 2019, two vendors (The Equity Group and Toppan Vintage) have asserted claims for past due amounts of approximately \$59,000, arising from services provided. The Company has fully recognized, in accounts payable, the amounts associated with these claims and expects to resolve the matters to satisfaction of all parties.

On December 30, 2020, a Howco vendor filed a lawsuit seeking payment of past due invoices totaling \$276,430 and finance charges of \$40,212. The Company has recorded the liability for the invoices in the normal course of business. A Company representative is in negotiation with the vendor and their legal counsel and expect to settle the matter.

## **ITEM 1A. RISK FACTORS**

See "Risk Factors" beginning on Page 9.

## **DEFAULTS UPON SENIOR SECURITIES**

On September 6, 2019, the Company received a default notice on its payment obligations under the senior secured credit facility agreement from TCA. The

**MINE SAFETY DISCLOSURES**

Not applicable.

**MANAGEMENT DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

Our number of directors is divided into three classes, designated as Class I, Class II and Class III. The terms of the Class I directors were extended for three years each at the 2021 annual meeting of stockholders, the Class II directors will expire at the 2022 annual meeting of stockholders, and the term of the Class III directors will expire at the 2023 annual meeting of stockholders. A plurality of the votes of the shares of the registrant's common stock present in person or represented by proxy at the annual meeting and entitled to vote on the election of directors are required to elect the directors. The Board members have three-year terms and in the absence of a vote at an annual meeting of stockholders, they continue for successive three-year terms until they are replaced or resign.

The following table sets forth certain information about our executive officers, key employees and directors as of December 31, 2021.

<b>Name</b>	<b>Age</b>	<b>Position</b>	<b>Class</b>
Michael Bannon	56	President, CEO, CFO, Director	I
Rodrigo Kuntz Rangel	44	Chief Technology Officer, Director	I
Matthew Wiles (1)	47	Former COO, Former Director until resignation on June 2, 2021	I

(1) Mr. Wiles resigned all officer and board of directors' roles effective June 2, 2021. There were no disagreements regarding any Company, management or board of directors matters related to the resignation.

**Michael Bannon** is President, Chief Executive Officer, Chief Financial Officer and Chairman of the Board of Directors, positions he has held since January 26, 2016. Since 1994 he served as President of Abatement Industries Group, Inc., a company involved in addressing asbestos, lead, mold and PCB problems in commercial buildings. Michael is no longer President of Abatement Industries Group, Inc. Michael graduated from the University of Connecticut with a B.A. degree in 1993, received an M.B.A. degree from the University of New Haven in 1998, received an M.A. degree in Organizational Psychology in 2003 from the University of New Haven and became a Harvard Business School graduate in March 2011 when he completed Harvard Business School's Owner President Program. Michael Bannon is currently pursuing a Masters in Juris Prudence from Seton Hall Law School with a concentration in finance law. We believe that Mr. Bannon is qualified to serve on our Board of Directors based upon his having successfully managed prior companies and his educational background in business.

**Rodrigo Kuntz Rangel** became a member of the Board on April 3, 2017 and has been our CTO since June 2016. Dr. Rangel has served as Scientific Director of IBRV, the BRVANT Institute of Technology, a non-profit Institute since August 2013. Since February 2009 Dr. Rangel has served and continues to serve as CEO of BRVANT Technologic Solutions, a Brazilian company that specializes in development of UAV, UGV and USV systems. From 2002 to 2009 he was Product Development Engineer at Embraer SA, working with the development of avionics, electronic and software systems for military and civil aircraft. Dr. Rangel has specialized in aircraft manufacture engineering through his research activities with the Embraer Engineering Specialization Program. Dr. Rangel also studied computer, robotics, lasers and virtual reality systems applied to flight simulators at the Institute for Advanced Studies (IEAv) as a São Paulo State Foundation for Research Support (FAPESP) scholar. Dr. Rangel received a B.S. degree in Computer Engineering, M.S. and PhD degrees in Computer and Electronics Engineering from the Technological Institute of Aeronautics in Sao Jose dos Campos, Brazil.

**Matthew Wiles** served as our Chief Operating Officer and a member of the Board from August 6, 2018 until his resignation effective June 2, 2021, when he also resigned as General Manager of Howco. From 2013 to 2014, Mr. Wiles was Director of Operations for Aero Kraft North in Portland, Oregon, a company involved in a specialty segment of aerospace manufacturing, for which he also served as a production manager from 2007 to 2010. From 2010 to 2013, Mr. Wiles was Route Operations Manager Sierra Springs Bottled Water (DS Waters), located in Portland, Oregon, that was a distributor of coffee and bottled water throughout the Northwest. From 2001 to 2007 Mr. Wiles was a Department Manager for Pella Windows, a vinyl window and door manufacturer for the construction industry. Mr. Wiles received his Bachelor of Business Administration degree from Warner Pacific College in Portland, Oregon.

**Board Composition and Election of Directors**

Our board of directors is currently authorized to have five members, and currently consists of, two members following the resignation of Matthew Wiles effective June 2, 2021. In accordance with the terms of our current certificate of incorporation and by-laws, the term of office of each director expires at our annual meeting of stockholders or until their successors are duly elected and qualified.

**Director Independence**

There are no family relationships among any of our directors or executive officers.

**Board Committees**

Our board of directors does not have a separate, standing audit committee nor a nominating or governance committee. The full board of directors performs the function of an audit and other committees.

There are no family relationships among any of our directors, executive officers, or advisors.

**Nominating Procedures**

During the fiscal year ended September 30, 2021, there were not any material changes to the procedures by which security holders may recommend nominees to the Company's Board of Directors.

**Directors' Fees**

No compensation has been paid to any individual for services rendered as a director.

**Compliance with Section 16(a) of the Securities Exchange Act**

Not Applicable

**EXECUTIVE COMPENSATION**

*Overview*

*Compensation Philosophy*

This section discusses the principles underlying our policies and decisions with respect to the compensation of our executive officers and what we believe are the most important factors relevant to an analysis of these policies and decisions. This section also describes the material elements of compensation awarded to, earned by or paid to each of our named executive officers as of September 30, 2021. Our “named executive officers” for 2021 are Michael Bannon, Matthew Wiles (resigned effective June 2, 2021) and Dr. Rodrigo Kuntz Rangel. The compensation of each of our other current executive officers is based on individual terms approved by our board of directors. Our board of directors made changes to current executive compensation as outlined below.

We commenced operations on July 20, 2015. Rodrigo Kuntz Rangel, our Chief Technology Officer appointed in 2016, does not currently receive, and has not historically received, any monetary compensation from us for his service. However, we may in the future determine to compensate him for his service as chief technology officer.

On October 1, 2016, the Company entered into an employment agreement with the company’s President and CEO, Michael Bannon, that provides for annual base compensation of \$370,000 for a period of three years, which can, at the Company’s election, be paid in cash or shares of our common stock or deferred if insufficient cash is available, and provides for other benefits, including a discretionary bonus and equity, a provision for the equivalent of 12 months’ base salary, and an additional one-time severance payment of \$2,500,000 upon termination under certain circumstances, as defined in his employment agreement. On September 16, 2019, Michael Bannon’s employment agreement was modified to provide salary of \$624,000, and an annual bonus of 3% of net income. At the Company’s discretion, salary and bonus may be paid in cash or stock and payment may be deferred.

On March 28, 2017, we entered into an at-will employment agreement with Matthew Wiles as General Manager of Howco. Under the terms of employment agreement, Mr. Wiles’ compensation is \$140,000 per annum and he also will be eligible for a bonus of 10% of Howco’s gross profits over \$1.25 million to be paid in cash after the annual financial statements have been completed and, if applicable, audited for filing with the SEC. Mr. Wiles will also receive options to acquire 250 shares of the Company’s common stock vesting over five years in equal amounts on the anniversary date of his Employment Agreement. On September 16, 2019, Mr. Wiles’ employment agreement was modified to provide salary of \$275,000, and an annual bonus of 2% of net income. At the Company’s discretion, salary and bonus may be paid in cash or stock and payment may be deferred. Mr. Wiles resigned all officer and board member roles effective June 2, 2021.

Our compensation committee will oversee these compensation policies and, together with our board of directors, will periodically evaluate the need for revisions to ensure our compensation program is competitive with the companies with which we compete for executive talent.

**Objectives and Philosophy of Our Executive Compensation Program**

The primary objectives of the board of directors in designing our executive compensation program are to:

- attract, retain and motivate experienced and talented executives;
- ensure executive compensation is aligned with our corporate strategies, research and development programs and business goals;
- recognize the individual contributions of executives while fostering a shared commitment among executives by aligning their individual goals with our corporate goals;
- promote the achievement of key strategic, development and operational performance measures by linking compensation to the achievement of measurable corporate and individual performance goals; and
- align the interests of our executives with our stockholders by rewarding performance that leads to the creation of stockholder value.

Each of our named executive officers was hired by us before our board of directors established a formal executive compensation program. To achieve these objectives in the future, we expect that our board of directors and compensation committee will evaluate our executive compensation program with the goal of setting and maintaining compensation at levels that are justifiable based on each executive’s level of experience, performance and responsibility and that the board believes are competitive with those of other companies in our industry and our region that compete with us for executive talent. In addition, we expect that our executive compensation program will tie a substantial portion of each executive’s overall compensation to key strategic, financial and operational goals. We have provided, and expect to continue to provide, a portion of our executive compensation in the form of stock options and restricted stock that vest over time, which we believe helps to retain our executives and aligns their interests with those of our stockholders by allowing them to participate in the longer term success of the Company as reflected in stock price appreciation.

**Use of Compensation Consultants and Market Benchmarking**

For purposes of determining total compensation and the primary components of compensation for our executive officers in 2021 we did not retain the services of a compensation consultant or use survey information or compensation data to engage in benchmarking. In the future, we expect that our compensation committee will consider publicly available compensation data for national and regional companies in the drone industry to help guide its executive compensation decisions at the time of hiring and for subsequent adjustments in compensation. Even if we retain the services of an independent compensation consultant to provide additional comparative data on executive compensation practices in our industry and to advise on our executive compensation program generally, our board of directors and future compensation committee will ultimately make their own decisions about these matters.

Beginning with fiscal year 2021, our annual cash bonus program is based upon net profit. As specified in the executive contracts of Michael Bannon, the CEO, and Matthew Wiles, the former COO, they were to receive three and two percent of the net profit respectively. The board can elect to give discretionary bonuses based on the increase in stock price or the successful acquisition and integration of a company into the Bantec corporate family.

**Stock-Based Awards**

Our equity award program is the primary vehicle for offering long-term incentives to our executives. While we do not have any equity ownership guidelines for our executives, we believe that equity grants provide our executives with a strong link to our long-term performance create an ownership culture and help to align the interests of our executives and our stockholders. In addition, the vesting feature of our equity awards contributes to executive retention by providing an incentive for our executives to remain in our employ during the vesting period. Currently, our executives are eligible to participate in our 2016 stock incentive plan, which we refer to as the 2016 Plan, and all equity awards granted in 2017 (no awards were granted in fiscal years 2021 and 2020) were pursuant to the 2016 Plan. Under our 2016 Plan, executives are eligible to receive grants of stock options, restricted stock awards, restricted stock unit awards, stock appreciation rights and other stock-based equity awards at the discretion of our board of directors.

Our employee equity awards have typically been in the form of stock options only if our stock price increases relative to the stock option's exercise price, we believe stock options provide meaningful incentives for our executives to achieve increases in the value of our stock over time. While we currently expect to continue to use stock options as the primary form of equity awards that we grant, we may in the future use alternative forms of equity awards, such as restricted stock and restricted stock units. To date, we have generally used equity awards to compensate our executive officers in the form of initial grants in connection with the commencement of employment. In the future, we also generally plan to grant equity awards on an annual basis to our executive officers. We may also make additional discretionary grants, typically in connection with the promotion of an employee, to reward an employee, for retention purposes or in other circumstances recommended by management.

In general, the equity awards that we have granted to our executives vest in equal annual amounts over a period of two to five years. Vesting ceases upon termination of employment and exercise rights ceases immediately upon termination for cause or 12 months if termination is not for cause. Prior to the exercise of a stock option, the holder has no rights as a stockholder with respect to the shares subject to such option, including voting rights or the right to receive dividends or dividend equivalents.

We have granted, and going forward expect to grant, stock options with exercise prices that are set at no less than the fair value of shares of our common stock on the date of grant as determined by our board of directors.

### Benefits and Other Compensation

We believe that establishing competitive benefit packages for our employees is an important factor in attracting and retaining highly qualified personnel. We expect to maintain broad-based benefits that are provided to all employees, including health and dental insurance, and 401(k) and profit sharing plans for our Howco employees. All of our executives will be eligible to participate in all of our employee benefit plans, in each case on the same basis as other employees.

In certain circumstances, we may award cash signing bonuses or may reimburse relocation expenses when executives first join us. Whether a signing bonus is paid or relocation expenses are reimbursed, and the amount of either such benefit, is determined by our board of directors on a case-by-case basis based on the specific hiring circumstances and the recommendation of our chief executive officer.

### Severance and Change in Control Benefits

Pursuant to agreements we have entered into with certain of our executives, these executives are entitled to specified benefits in the event of the termination of their employment under specified circumstances, including termination following a change in control of our company. Please refer to "—Employment Agreements" for a more detailed discussion of these benefits.

We believe providing these benefits helps us compete for executive talent. Based on the substantial business experience of the members of our board of directors, we believe that our severance and change in control benefits are generally in line with severance packages offered to executives by companies at comparable stages of development in our industry and related industries.

### Risk Considerations in Our Compensation Program

Our board of directors is evaluating the philosophy and standards on which our compensation plans will be implemented across our company. It is our belief that our compensation programs do not, and in the future will not, encourage inappropriate actions or risk taking by our executive officers. We do not believe that any risks arising from our employee compensation policies and practices are reasonably likely to have a material adverse effect on our company. In addition, we do not believe that the mix and design of the components of our executive compensation program will encourage management to assume excessive risks. We believe that our current business process and planning cycle fosters the behaviors and controls that would mitigate the potential for adverse risk caused by the action of our executives. We believe that the following aspects of our executive compensation program that we plan to implement will mitigate the potential for adverse risk caused by the action of our executives:

- annual establishment of corporate and individual objectives for our performance-based cash bonus programs for our executive officers, which we expect to be consistent with our annual operating and strategic plans, designed to achieve the proper risk/reward balance and not require excessive risk taking to achieve;
- the mix between fixed and variable, annual and long-term and cash and equity compensation, which we expect to be designed to encourage strategies and actions that balance the company's short-term and long-term best interests; and
- equity incentive awards that vest over a period of time, which we believe will encourage executives to take a long-term view of our business.

### Tax and Accounting Considerations

Section 162(m) of the Internal Revenue Code of 1986, as amended, or the Code, generally disallows a tax deduction for compensation in excess of \$1,000,000 per person paid to a publicly traded company's chief executive officer and three other most highly paid officers, other than the chief financial officer. Qualifying performance-based compensation is not subject to the deduction limitation if specified requirements are met. We will periodically review the potential consequences of Section 162(m), however, the board of directors may, in its judgment, authorize compensation payments that do not comply with the exemptions in Section 162(m) when it believes that such payments are appropriate to attract and retain executive talent and are in the best interests of our stockholders.

We account for equity compensation paid to our employees in accordance with Financial Accounting Standards Board, or FASB, Accounting Standard Codification Topic 718, *Compensation—Stock Compensation*, or ASC 718, which requires us to measure and recognize compensation expense in our consolidated financial statements for all share-based payments based on an estimate of their fair value over the service period of the award. We record cash compensation as an expense at the time the obligation is accrued.

### Summary Compensation Table

The following table sets forth the total compensation awarded to, earned by or paid to our named executive officers during the fiscal years ended September 30, 2021 and 2020.

#### SUMMARY COMPENSATION TABLE

Name and Principal Occupation	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (1)	Non-Equity Incentive Plan Compensation (\$)	Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$)(4)	Total (\$)
M. Bannon	2021	\$ 624,000	\$ 0	\$ 0	0	\$ 0	\$ 0	\$ 42,889	\$ 666,889
M. Bannon	2020	\$ 624,000	\$ 0	\$ 0	0	\$ 0	\$ 0	\$ 42,555	\$ 666,555

R. Kuntz Rangel (2)	2021	\$	0	\$	0	\$	0	\$	0	\$	0	\$	0	\$	0
R. Kuntz Rangel (2)	2020	\$	0	\$	0	\$	0	\$	0	\$	0	\$	0	\$	0
M. Wiles (3)	2021	\$	111,927	\$	0	\$	74,000	\$	0	\$	0	\$	0	\$	1,512
M. Wiles	2020	\$	275,000	\$	0	\$	0	\$	0	\$	0	\$	0	\$	2,293

- The amounts in the "Option Awards" column reflect the aggregate grant date fair value of stock options granted during the year computed in accordance with the provisions of ASC 718, excluding the impact of estimated forfeitures related to service-based vesting conditions (which in our case were none).
- Rodrigo Kuntz Rangel did not receive any compensation from us for his service as our Chief Technology Officer in 2021 and 2020. We issued to Rodrigo Kuntz Rangel an option to acquire 2,000 shares of our common stock in July 2016. 1,000 shares vested on July 1, 2017 and 1,000 shares vested on July 1, 2018. An additional grant of 2,100 options were granted on March 30, 2017 and each tranche of 420 options vests beginning April 1, 2018 and each year thereafter.
- Matt Wiles resigned all officer and board of directors' roles effective June 2, 2021. Mr. Wiles received common stock valued at \$74,000 in lieu of accrued and unpaid compensation from September 2019 through June 2, 2021.
- All other compensation includes payments for Company leased vehicle and medical insurance both for the CEO, and 401(k) matching payments for Mr. Wiles.

#### Grants of Plan-Based Awards in 2021 and 2020

No Options were granted in 2021 or 2020.

#### Outstanding Equity Awards at September 30, 2021

The following table sets forth information regarding outstanding equity awards held by our named executive officers as of September 30, 2021.

Name	Option Awards				Stock Awards	
	Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$/Sh)	Option Expiration Date	Number of shares that have not vested (#)	Market value of shares that have not vested (\$)
	Exercisable	Unexercisable				
Rodrigo Kuntz Rangel	3,680	420	\$ 201(1)	7/1/26 (2)		

(1) Weighted average exercise price

(2) One stock option grant for 2,000 shares expires 7/1/26 and the grants for 2,100 expire March 30, 2027.

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#### Employment Agreements

On October 1, 2016, we entered into a three-year employment agreement with Michael Bannon as President and CEO of Drone USA. Under the terms of the employment agreement, Mr. Bannon's compensation is \$370,000 per annum which can at the Company's election be paid in cash or our common stock or deferred if insufficient cash is available. He is entitled to a bonus based on a compensation plan to be agreed to between him and our Board. If the employment agreement is terminated by Drone USA for Cause (as defined in the employment agreement), or if Mr. Bannon resigns without Good Reason (as defined therein), Mr. Bannon shall only receive his compensation earned through the termination date. If the employment agreement is terminated by Drone USA without Cause or if Mr. Bannon terminates his employment for Good Reason, or upon a Change in Control (as defined), Mr. Bannon shall also be entitled to a one-time severance payment of \$2,500,000, the greater of (i) 12 months' salary or (ii) the remainder of his salary for the term of the employment agreement, acceleration of all non-vested equity in the Company to vest on the date of termination and payment by Drone USA for all healthcare and life insurance coverage through the end of the term of his Employment Agreement. On September 16, 2019, Michael Bannon's employment agreement was modified to extend the term for an additional five years, provide salary of \$624,000, and an annual bonus of 3% of net income. At the Company's discretion, salary and bonus may be paid in cash or stock and payment may be deferred.

On March 28, 2017, we entered into an at-will employment agreement with Matthew Wiles as General Manager of Howco. Under the terms of employment agreement, Mr. Wiles' compensation is \$140,000 per annum and he also will be eligible for a bonus of 10% of Howco's gross profits over \$1.25 million to be paid in cash after the annual financial statements have been completed and, if applicable, audited for filing with the SEC. Mr. Wiles will also receive options to acquire 250 shares of the Company's common stock vesting over five years in equal amounts on the anniversary date of his Employment Agreement. On September 16, 2019, Mr. Wiles' employment agreement was modified to provide salary of \$275,000, and an annual bonus of 2% of net income. At the Company's discretion, salary and bonus may be paid in cash or stock and payment may be deferred. Mr. Wiles resigned as General Manager of Howco and COO and Member of the Board of Directors of the Company effective June 2, 2021.

#### Nonqualified Deferred Compensation

We do not maintain any nonqualified deferred compensation plans.

#### Defined Contribution Plan

In August 2016, Bantec, Inc. established a qualified 401(k) defined contribution plan with a discretionary employer match provision. All employees who are at least twenty-one years of age are eligible to participate in the plan. The plan allows participants to defer up to 90% of their annual compensation, up to statutory limits. There were \$0 of employer contributions for the years ended September 30, 2021, and 2020.

Howco is the sponsor of a qualified 401(k) plan with a safe harbor provision. All employees are eligible to enter the plan within one year of the commencement of employment. Employer contributions charged to expenses for the years ended September 30, 2021 and 2020 were \$9,704 and \$10,258, respectively.

On April 13, 2018, Howco Distributing announced to its employees a Company-wide profit-sharing program. In fiscal year 2018, Howco Distributing, distributed approximately ten-percent of the Company's net income. The employee profit is equal to their annual salary divided by the Company's total annual payroll and multiplied by 10% of net income for the fiscal year. During the years ended September 30, 2021 and 2020 there was no profit and therefore no distribution under the plan.

#### Stock Option and Other Employee Benefit Plans

The purpose of the 2016 Plan is to advance the interests of our stockholders by enhancing our ability to attract, retain and motivate persons who are expected to make important contributions and by providing such persons with equity ownership opportunities and performance-based incentives that are intended to better align the interests of such persons with those of our stockholders.

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## 2016 Stock Incentive Plan

*History.* On June 7, 2016, the Board of Directors approved and on June 8, 2016, the stockholders approved the 2016 Stock Incentive Plan (the “**2016 Plan**”) under which employees, officers, directors and consultants are eligible to receive grants of stock options, stock appreciation rights (“SAR”), restricted or unrestricted stock awards, restricted stock units, performance awards, other stock-based awards, or any combination of the foregoing. The Plan authorizes up to 100,000 shares of our common stock for stock-based awards.

*Administration.* The 2016 Plan is administered by the Board of Directors or the committee or committees as may be appointed by the Board of Directors from time to time (the “**Administrator**”). The Administrator determines the persons who are to receive awards, the types of awards to be granted, the number of shares subject to each such award and the terms and conditions of such awards. The Administrator also has the authority to interpret the provisions of the 2016 Plan and of any awards granted there under and to modify awards granted under the 2016 Plan. The Administrator may not, however, reduce the price of options or stock appreciation rights issued under the 2016 Plan without prior approval of the Company’s shareholders.

*Eligibility.* The 2016 Plan provides that awards may be granted to employees, officers, directors and consultants of Drone USA or of any parent, subsidiary or other affiliate of the Company as the Administrator may determine. A person may be granted more than one award under the 2016 Plan.

Shares that are subject to issuance upon exercise of an option under the 2016 Plan but cease to be subject to such option for any reason (other than exercise of such option), and shares that are subject to an award granted under the 2016 Plan but are forfeited or repurchased by the Company at the original issue price, or that are subject to an award that terminates without shares being issued, will again be available for grant and issuance under the 2016 Plan.

*Terms of Options and Stock Appreciation Rights.* The Administrator determines many of the terms and conditions of each option and SAR granted under the 2016 Plan, including whether the option is to be an incentive stock option or a non-qualified stock option, whether the SAR is a related SAR or a freestanding SAR, the number of shares subject to each option or SAR, and the exercise price of the option and the periods during which the option or SAR may be exercised. Each option and SAR is evidenced by a grant agreement in such form as the Administrator approves and is subject to the following conditions (as described in further detail in the 2016 Plan):

(a) *Vesting and Exercisability:* Options, restricted shares and SARs become vested and exercisable, as applicable, within such periods, or upon such events, as determined by the Administrator in its discretion and as set forth in the related grant agreement. The term of each option is also set by the Administrator. However, a related SAR will be exercisable at the time or times, and only to the extent, that the option is exercisable and will not be transferable except to the extent that the option is transferable. A freestanding SAR will be exercisable as determined by the Administrator but in no event after 10 years from the date of grant.

(b) *Exercise Price:* Each grant agreement states the related option exercise price, which, in the case of SARs, may not be less than 100% of the fair market value of the Company’s shares of common stock on the date of the grant. The exercise price of an incentive stock option granted to a 10% stockholder may not be less than 110% of the fair market value of shares of the Company’s common stock on the date of grant.

(c) *Method of Exercise:* The option exercise price is typically payable in cash, common stock or a combination of cash of common stock, as determined by the Administrator, but may also be payable, at the discretion of the Administrator, in a number of other forms of consideration.

(d) *Recapitalization; Change of Control:* The number of shares subject to any award, and the number of shares issuable under the 2016 Plan, are subject to proportionate adjustment in the event of a stock dividend, spin-off, split-up, recapitalization, merger, consolidation, business combination or exchange of shares and the like. Except as otherwise provided in any written agreement between the participant and the Company in effect when a change in control occurs, in the event an acquiring company does not assume plan awards (i) all outstanding options and SARs shall become fully vested and exercisable; (ii) for performance-based awards, all performance goals or performance criteria shall be deemed achieved at target levels and all other terms and conditions met, with award payout prorated for the portion of the performance period completed as of the change in control and payment to occur within 45 days of the change in control; (iii) all restrictions and conditional applicable to any restricted stock award shall lapse; (iv) all restrictions and conditions applicable to any restricted stock units shall lapse and payment shall be made within 45 days of the change in control; and (v) all other awards shall be delivered or paid within 45 days of the change in control.

(e) *Other Provisions:* The option grant and exercise agreements authorized under the 2016 Plan, which may be different for each option, may contain such other provisions as the Administrator deems advisable, including without limitation, (i) restrictions upon the exercise of the option and (ii) a right of repurchase in favor of the Company to repurchase unvested shares held by an optionee upon termination of the optionee’s employment at the original purchase price.

*Amendment and Termination of the 2016 Plan.* The Administrator, to the extent permitted by law, and with respect to any shares at the time not subject to awards, may suspend or discontinue the 2016 Plan or amend the 2016 Plan in any respect; provided that the Administrator may not, without approval of the stockholders, amend the 2016 Plan in a manner that requires stockholder approval.

## 2021 Director Compensation

We currently do not have a formal non-employee director compensation policy. However, we do reimburse our non-employee directors for their reasonable expenses incurred in connection with attending our board of directors and committee meetings, and we may in the future grant stock options and pay cash compensation to some or all of our non-employee directors. Other than reimbursement of out-of-pocket expenses as described above, we did not provide any cash or equity compensation to our non-employee directors during the year ended September 30, 2021.

## Limitation of Liability and Indemnification

Our certificate of incorporation provides that we are authorized to provide indemnification and advancement of expenses to our directors, officers and other agents to the fullest extent permitted by Delaware General Corporation Law.

In addition, our certificate of incorporation limits the personal liability of directors for breach of fiduciary duty to the maximum extent permitted by the Delaware General Corporation Law and provides that no director will have personal liability to us or to our stockholders for monetary damages for breach of fiduciary duty or other duty as a director. However, these provisions do not eliminate or limit the liability of any of our directors for:

- any breach of the director’s duty of loyalty to us or our stockholders;
- acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;
- voting or assenting to unlawful payments of dividends, stock repurchases or other distributions; or
- any transaction from which the director derived an improper personal benefit.

Any amendment to or repeal of these provisions will not eliminate or reduce the effect of these provisions in respect of any act, omission or claim that occurred or arose prior to such amendment or repeal. If the Delaware General Corporation Law is amended to provide for further limitations on the personal liability of directors of corporations, then the personal liability of our directors will be further limited to the greatest extent permitted by the Delaware General Corporation Law.



Our certificate of incorporation also provides that we must advance expenses, including attorneys' fees, to our directors and officers in connection with legal proceedings, subject to very limited exceptions.

We maintain a general liability insurance policy that covers certain liabilities of our directors and officers arising out of claims based on acts or omissions in their capacities as directors or officers.

Certain of our non-employee directors may, through their relationships with their employers, be insured or indemnified against certain liabilities incurred in their capacity as members of our board of directors.

#### **Compensation Committee Interlocks and Insider Participation**

None of our officers currently serves, or has served during the last completed fiscal year, on the compensation committee or board of directors of any other entity that has one or more officers serving as a member of our board of directors.

#### **Change of Control**

Not applicable.

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### **CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

#### **Related Person Transactions**

Since entering into the Equity Exchange Agreement in January 2016, we have engaged in the following transactions with our directors, executive officers, holders of more than 5% of our voting securities, and affiliates or immediately family members of our directors, executive officers and holders of more than 5% of our voting securities, and our co-founders. We believe that all of these transactions were on terms as favorable as could have been obtained from unrelated third parties.

The Company has a \$840,000 convertible note payable ("Note 1") to a related party entity controlled by the Company's CEO. Note 1 bears interest at an annual rate of 7% with an original maturity date of June 11, 2017, which has been extended to June 11, 2022, at which time all unpaid principal and interest is due. The holder of Note 1 has the option to convert the outstanding principal and accrued interest, in whole or in part, into shares of common stock at a conversion price equal to the volume weighted average price per share of common stock for the 30-day period prior to conversion.

On April 15, 2020, the Company amended the above Note 1 first issued to AIG and subsequently assigned to Pike Falls LLC (entities controlled by the Company's CEO) in amount of \$840,000, with a principal and accrued interest balance of \$688,444, and \$210,409, respectively at June 30, 2020. The amendment changes conversion terms, which now state the note principal and interest may be converted to common stock at 50% of the lowest closing bid price during the thirty days prior to conversion, increases the interest rate to 10%, and has a maturity date of January 7, 2022. The change in conversion terms has been treated as a debt extinguishment and the modified note is treated stock settled debt under ASC 480, and a put premium of \$688,444 was recognized with a charge to loss on debt extinguishment. The principal balance was \$377,194 and accrued interest was \$221,323 at September 30, 2020. As of September 30, 2021, Note 1 principal has been fully converted or paid in cash long with accrued interest of \$224,370, and the accrued interest balance was \$0 as of September 30, 2021. \$377,194, related to put premiums was recognized as a gain on extinguishment of debt during the year ended September 30, 2021.

The Company has a convertible note payable (for an unspecified amount) with the Company's CEO. This line of credit ("LoC") bears interest at an annual rate of 7% with a maturity date of December 31, 2017, at which time all unpaid principal and interest was due. On December 15, 2017 the due date was extended to July 2, 2018 and then in July, 2018, the due date was extended to June 30, 2019, and on December 23, 2018 the maturity date of the LoC was extended to September 23, 2024. The holder of the LoC has the option to convert the outstanding principal and accrued interest, in whole or in part, into shares of common stock at a conversion price equal to the volume weighted average price per share of common stock for the 30-day period prior to conversion. This LoC is considered a stock settled debt in accordance with ASC 480 and the fixed monetary amount is equal to the principal amount based on the conversion formula. During the year ended September 30, 2020 the Company was advanced \$64,940 and repaid \$132,803, on this LoC. As of September 30, 2020, the LoC had not been converted and the balance was \$99,142, and accrued interest was \$31,260. During the year ended September 30, 2021 the balance of the LoC principal was fully paid in cash along with all accrued interest was totaling \$32,900.

On July 2, 2019, the Company issued a convertible note payable ("Note 2") to an affiliate of the Company's CEO for a \$15,000, cash loan. The funds were paid directly to a vendor to the Company. The note had an original maturity of June 9, 2020, however the note was amended effective September 30, 2020 and new maturity is May 31, 2022. The note bears interest at 10% and may be converted to the Company's common stock at 50% of the lowest closing bid in the 20 trading days prior to notification of conversion. The Company accounted for the convertible promissory note as stock settled debt under ASC 480 and recorded debt premium \$15,000 with a charge to interest expense for the note. The note principal and accrued interest (\$2,155) was fully repaid during the year ended September 30, 2021 and put premium of \$15,000, was recognized as gain on debt extinguishment. Accrued interest was \$0 at September 31, 2021 and \$1,843, at September 30, 2020.

On September 13, 2019, the Company issued a convertible note payable to an entity controlled by the Company's CEO for a \$17,000, cash loan. The note had an original maturity of June 9, 2020, however the note was amended effective September 30, 2020 and the new maturity is May 31, 2022. The note bears interest at 10% and may be converted to the Company's common stock at 50% of the lowest closing bid in the 20 trading days prior to notification of conversion. The Company has accounted for the convertible promissory note as stock settled debt under ASC 480 and recorded debt premium of \$17,000 with a charge to interest expense for the notes. The note principal and accrued interest of \$2,152 was fully repaid and put premium of \$17,000, was recognized as gain on debt extinguishment during the year ended September 30, 2021. Accrued interest was \$1,799, at September 30, 2020.

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On December 30, 2018 the Company issued a promissory note to the CEO for a \$400,000, cash loan. The note bears interest at 12% per annum, matures on January 7, 2024 and required monthly payment of principal of \$5,000 with a balloon payment at maturity. On April 14, 2020, the Company amended the above note first issued to Michael Bannon (the Company's CEO) on December 30, 2018, in amount of \$400,000, with a principal and interest balance of \$367,500, and \$76,619, respectively at September 30, 2020. The amendment adds conversion terms, which state the note principal and interest may be converted to common stock at 50% of the lowest closing bid price during thirty days prior to conversion, and reduces the interest rate to 10%, and extends the maturity date to January 7, 2024. The change in conversion terms was treated as a debt extinguishment and the new note is considered a stock settled debt under ASC 480, and put premium of \$367,500 was recognized with a charge to interest expense. The note principal and accrued interest of \$83,133 was fully repaid in cash during the year ended September 30, 2021 and a gain on debt extinguishment was recognized for the premium upon receipt of cash repayments. The accrued interest balance was \$76,619 at September 30, 2020.

On January 19, 2019 the Company issued a, promissory note to the CEO for a \$200,000, cash loan. The note bears interest at 12% per annum, matures on September 23, 2021 and requires monthly payments of \$2,500 principal. On April 14, 2020, the Company amended the note first issued to Michael Bannon (the Company's CEO) on January 19, 2019, in amount of \$200,000, with a principal and interest balance of \$195,000, and \$17,947. The amendment adds conversion terms, which state the note principal and interest may be converted to common stock at 50% of the lowest closing bid price during thirty days prior to conversion, and reduces the note interest rate to 10%, and extends the maturity date to April 15, 2026. The change in conversion terms has been treated as a debt extinguishment and the new note is considered a stock settled debt under ASC 480, and put premium of \$195,000 has been recognized with a charge to loss on debt extinguishment. During 2020, \$14,250 was repaid and \$180,750 was converted to common stock. Accrued interest of \$20,855 was repaid as of September 30, 2021.

On July 1, 2019, Howco entered into a purchase order financing agreement with an entity controlled by the Company's CEO ("Pike Falls") for cash advances to Howco. The advances are to be for 100% of the face value of the purchase orders to be repaid with accounts receivable related to the sales of the products underlying the purchase orders. Pike Falls receives 4% of the purchase price for the first 45 days and .00086% per day thereafter on the unpaid balance.

On April 15, 2020, the Company issued a convertible note payable to Michael Bannon (the Company's CEO) in the principal amount of \$69,391, in replacement for the amounts owed to an entity controlled by Mr. Bannon (above) The new note interest rate is 10%, and it matures on January 31, 2022. The new note principal and interest may be converted into the Company's common stock at 50% of the lowest closing bid price in the thirty days preceding the conversion notice. This issuance was treated as a debt extinguishment of the old note and the new note conversion terms have been treated as stock settled debt under ASC 480, and put premium of \$69,391 was recognized with a charge to interest expense. The principal and accrued interest was \$69,391 and \$5,332 respectively as of September 30, 2020. During the year ended September 30, 2021 the principal and accrued interest of \$6,206 was fully paid in cash and \$69,391 was recognized as gain on extinguishment of debt.

#### *Other Notes Payable*

On December 22, 2020 a non-convertible promissory note was issued to the CEO by Howco for \$50,000 having weekly payments of \$2,580 for twenty-five weeks, which include a total of \$14,500 of interest. The principal and interest due were fully paid at September 30, 2021.

On May 21, 2021 a non-convertible promissory note was issued to the CEO by Howco for \$40,000 having weekly payments of \$2,080 for twenty-five weeks, which include a total of \$12,000 of interest. During the year ended September 30, 2021, repayments of principal were \$40,000 and interest of \$8,308 were charged to Interest Expense and were made reducing the principal balance to \$0. Interest charged was reduced due to early repayment.

On June 27, 2021 a non-convertible promissory note was issued to the CEO by Howco for \$50,000 having weekly payments of \$2,580 for twenty-five weeks, which include a total of \$14,500 of interest. During the year ended September 30, 2021, repayments of principal were \$50,000 and interest of \$6,692 were charged to Interest Expense and were made reducing the principal balance to \$0. Interest charged was reduced due to early repayment.

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On July 12, 2021 a non-convertible promissory note was issued to the CEO by Howco for \$50,000 having weekly payments of \$2,580 for twenty-five weeks, which include a total of \$14,500 of interest. During the year ended September 30, 2021, repayments of principal were \$50,000 and interest of \$6,135, were charged to interest expense and were made reducing the principal balance to \$0.

During the year ended September 30, 2021, the CEO extended short-term advances totaling \$60,400, which were fully repaid as of September 30, 2021.

#### *Executive Compensation and Employment Agreements*

On October 1, 2016, the Company entered into employment agreements with two of its officers. The employment agreement with the company's President and CEO provides for annual base compensation of \$370,000 for a period of three years, which can, at the Company's election, be paid in cash or Common Stock or deferred if insufficient cash is available, and provides for other benefits, including a discretionary bonus and equity provision for the equivalent of 12 months' base salary, and an additional one-time severance payment of \$2,500,000 upon termination under certain circumstances, as defined in the agreement. On September 16, 2019, the employment agreement with the President/CEO was modified to provide salary of \$624,000, and an annual bonus of 3% of net income. At the Company's discretion, salary and bonus may be paid in cash or stock and payment may be deferred.

On March 28, 2017, Bantec entered into an at-will employment agreement with Matthew Wiles as General Manager of Howco. Under the terms of the employment agreement, Mr. Wiles' compensation is \$140,000 per annum and he also will be eligible for a bonus of 10% of Howco's gross profits over \$1.25 million to be paid in cash after the annual financial statements have been completed and, if applicable, audited for filing with the SEC. Mr. Wiles will also receive options to acquire 250 shares of Bantec's common stock, vesting over five years in equal amounts on the anniversary date of his Employment Agreement. On September 16, 2019, Mr. Wiles' employment agreement was modified to provide salary of \$275,000, and an annual bonus of 2% of net income. At the Company's discretion, salary and bonus may be paid in cash or stock and payment may be deferred. Mr. Wiles resigned with effective date of June 2, 2021. Under the terms of the employment agreement there is no continuing obligation from either party.

#### *Shares of Common Stock Issued to CEO*

On April 14, 2020, the Company's CEO was issued 15,000,000 shares of restricted common stock in conversion of \$23,250 in principal on the note issued January 19, 2019 as amended on April 14, 2020 at the contractual price of \$0.0016.

On July 24, 2020, the CEO, was issued 150,000,000, restricted shares of common stock in conversion of \$157,500 of principal and \$5,460 of accrued interest on his January 19, 2019, note having an original principal amount of \$200,000. The shares were priced at \$.00105, in accordance with the conversion terms within the amendment on April 14, 2020. Following the conversion, the principal was fully liquidated.

#### **Director Independence**

We are not subject to any independence standards of a national securities exchange or national securities association dealer quotation system. Our Board of Directors has determined that to be considered independent, an outside director may not have a direct or indirect material relationship with the company. A material relationship is one which impairs or inhibits/ or has the potential to impair or inhibit a director's exercise of critical and disinterested judgment on behalf of the company and its stockholders. To determine whether a material relationship exists, the Board consults with the company's counsel. This ensures that the Board's determinations are consistent with:

1. All relevant securities and other laws; and
2. Recent relevant cases and regulations regarding the definition of (independent director/business judgment) including those set forth in the listing standards of the New York Stock Exchange as in effect from time to time.

Based on the foregoing criteria, the Board of Directors has determined that there are no current members of the Board of Directors that are independent.

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### **PLAN OF DISTRIBUTION**

#### **Plan of Distribution for Bantec, Inc.'s Public Offering of 3,000,000,000 Shares of Common Stock**

This is a self-underwritten ("best-efforts") offering. This prospectus is part of a registration statement that permits our officers and directors to sell the shares being offered by the Company directly to the public, with no commission or other remuneration payable to them for any shares they may sell. Presently, we expect that our officers and directors will personally contact existing shareholders, friends, family members and business acquaintances and inform them about the offering. In addition, we may market the offering to institutional investors through our officers and directors. We may also offer our shares of common stock through

brokers, dealers or agents, although we have no current plans or arrangements to do so. The company has been contacted by multiple financial institutions, as well as fielded interest from existing shareholders that give the Company assurance as to the marketability of its shares to these identified parties. This offering will terminate on the date which is 270 days from the effective date of this prospectus, although we may close the offering on any date prior if the offering is fully subscribed or upon the vote of our board of directors.

In offering the securities on our behalf, our officers and directors will rely on the safe harbor from broker dealer registration set forth in Rule 3a4-1 under the Exchange Act. The officers and directors will not register as broker-dealers pursuant to Section 15 of the Exchange Act, in reliance upon Rule 3a4-1, which sets forth those conditions under which a person associated with an issuer may participate in the offering of the Issuer's securities and not be deemed to be a broker-dealer. In that regard, we confirm that:

- a. None of our officers or directors are subject to a statutory disqualification, as that term is defined in Section 3(a)(39) of the Exchange Act;
- b. None of our officers or directors will be compensated in connection with their participation by the payment of commissions or other remuneration based either directly or indirectly on transactions in the common stock;
- c. None of our officers or directors is or will be, at the time of his participation in the offering, an associated person of a broker-dealer; and
- d. Our officers and directors meet the conditions of paragraph (a)(4)(ii) of Rule 3a4-1 of the Exchange Act, in that each (A) primarily perform substantial duties for or on our behalf, other than in connection with transactions in securities, and (B) is not a broker or dealer, or has been an associated person of a broker or dealer, within the preceding 12 months, and (C) has not participated in selling and offering securities for any issuer more than once every 12 months other than in reliance on Paragraphs (a)(4)(i) or (a)(4)(iii) of Rule 3a4-1.

None of our officers or directors, control persons or affiliates intend to purchase any shares in this offering.

### **DESCRIPTION OF CAPITAL STOCK**

The following description of our capital stock is a summary of the material terms of our capital stock. This summary is subject to and qualified in its entirety by our Articles of Incorporation and Bylaws, and by the applicable provisions of Delaware law.

Our authorized capital stock consists of 6,000,000,000 shares of common stock, \$0.0001 par value per share, of which 2,693,360,585 shares are issued and outstanding as of December 20, 2021.

#### **Common Stock**

The Board of Directors is authorized to issue, without stockholder approval, any authorized but unissued shares of our common stock. Each share of our common stock is entitled to share pro rata in dividends and distributions with respect to our common stock when, as and if declared by the Board of Directors from funds legally available therefore. No holder of any shares of common stock has any preemptive right to subscribe for any of our securities. Upon our dissolution, liquidation or winding up, the assets will be divided pro rata on a share-for-share basis among holders of the shares of common stock. All shares of common stock outstanding are fully paid and non-assessable. Action Stock Transfer currently serves as transfer agent for the Common Stock.

#### **Voting Rights**

Holders of common stock are entitled to one vote per share on all matters voted on generally by the stockholders, including the election of directors, and, except as otherwise required by law. The holders of shares of our common stock do not have cumulative voting rights in connection with the election of the Board of Directors, which means that the holders of more than 50% of such outstanding shares, voting for the election of directors, can elect all of the directors to be elected, if they so choose, and, in such event, the holders of the remaining shares will not be able to elect any of our directors.

#### **Liquidation Rights**

Subject to any preferential rights of any series of preferred stock, holders of shares of common stock are entitled to share ratably in our assets legally available for distribution to our stockholders in the event of our liquidation, dissolution or winding up.

#### **Absence of Other Rights**

Holders of common stock have no preferential, preemptive, conversion or exchange rights.

#### **Preferred Stock**

The Company currently has 5,000,000 shares of Preferred Stock authorized, of which 250 shares of Series A Preferred Stock are issued to Michael Bannon, the Company's CEO.

### **EXPERTS**

The audited consolidated financial statements of, Bantec, Inc. for the years ended September 30, 2021 and 2020 included in this registration statement have been so included in reliance upon the report of Salberg & Company, PA, an independent registered public accounting firm, appearing elsewhere herein and in the registration statement, given on the authority of said firm as experts in auditing and accounting.

### **LEGAL MATTERS**

Stout Law Group, P.A., of Baltimore, Maryland, will issue to Bantec, Inc. its opinion regarding the legality of the common stock being offered hereby. Stout Law Group, P.A. has consented to the references in this prospectus to its opinion.

### **WHERE YOU CAN FIND MORE INFORMATION**

We have filed with the SEC the registration statement filed on January 21, 2022 this Form S-1 under the Securities Act with respect to the shares of our common stock being offered by this prospectus. This prospectus, which constitutes part of that registration statement, does not contain all of the information set forth in the registration statement or the exhibits and schedules which are part of the registration statement. Some items included in the registration statement are omitted from the prospectus in accordance with the rules and regulations of the SEC. For further information with respect to us and the common stock offered in this prospectus, we refer you to the registration statement and the accompanying exhibits and schedules filed therewith. Statements contained in this prospectus regarding the contents of any contract or any other document that is filed as an exhibit to the registration statement are not necessarily complete, and each such statement is qualified in all respects by reference to the full text of such contract or other document filed as an exhibit to the registration statement.

A copy of the registration statement and the accompanying exhibits and any other document we file may be inspected without charge at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549 and copies of all or any part of the registration statement may be obtained from this office upon the payment of the fees prescribed by the SEC. The public may obtain information on the operation of the public reference facilities in Washington, D.C. by calling the SEC at 1-800-SEC-0330. Our filings with the SEC are available to the public from the SEC's website at [www.sec.gov](http://www.sec.gov).

Upon effectiveness of the registration statement of which this prospectus is a part, we will be subject to the information and periodic reporting requirements of the Exchange Act and, in accordance therewith, we will file periodic information and other information with the SEC. All documents filed with the SEC are available for inspection and copying at the public reference room and website of the SEC referred to above. We maintain a website at [www.thedispensingsolution.com](http://www.thedispensingsolution.com). You may access our reports and other information free of charge at this website as soon as reasonably practicable after such material is electronically filed with, or furnished to, the SEC. The information contained in, or that can be accessed through, our website is not incorporated by reference and is not a part of this prospectus.

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### **Report of Independent Registered Public Accounting Firm**

To the Stockholders and the Board of Directors of:  
Bantec, Inc.

#### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Bantec, Inc. and Subsidiaries (the "Company") as of September 30, 2021 and 2020, the related statements of operations, changes in stockholders' deficit, and cash flows, for each of the two years in the period ended September 30, 2021, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of September 30, 2021 and 2020, and the results of its operations and its cash flows for each of the two years in the period ended September 30, 2021, in conformity with accounting principles generally accepted in the United States of America.

#### Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company has a net loss and cash used in operations of \$1,882,071 and \$1,576,648 respectively, in fiscal 2021, and has a working capital deficit, stockholders' deficit and accumulated deficit of \$14,709,592, \$14,796,078 and \$32,956,840 at September 30, 2021. These matters raise substantial doubt about the Company's ability to continue as a going concern. Management's Plan in regard to these matters is also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

#### Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

#### Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. We determined that there are no critical audit matters.

/s/ Salberg & Company, P.A.

SALBERG & COMPANY, P.A.  
We have served as the Company's auditor since 2017.  
Boca Raton, Florida  
January 7, 2022

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**BANTEC, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

	<b>September 30,</b>	<b>September 30,</b>
	<b>2021</b>	<b>2020</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	\$ 985,953	\$ 164,014
Accounts receivable	128,386	349,389
Inventory	61,837	44,599
Prepaid expenses and other current assets	28,882	35,403
<b>Total Current Assets</b>	<b>1,205,058</b>	<b>593,405</b>
Property and equipment, net	1,461	8,835
Patents and other intangibles	44,650	-
Right of use lease asset	85,747	138,776
Other assets	119,670	-
<b>Total non-current assets</b>	<b>251,528</b>	<b>147,611</b>
<b>Total Assets</b>	<b>\$ 1,456,586</b>	<b>\$ 741,016</b>
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 2,667,110	\$ 2,832,790
Accrued expenses and interest	4,316,258	3,595,428
Convertible notes payable - net of discounts and premiums	7,662,640	8,310,950
Note payable - seller	873,000	900,000
Line of credit - bank	4,885	41,609
Current portion notes and loans payable – net of discounts	170,036	903,251
Settlement payable	42,850	42,850
Lease liability – current portion	52,178	52,180
Derivative liabilities	125,693	128,628
<b>Total Current Liabilities</b>	<b>15,914,650</b>	<b>16,807,686</b>
<b>Long-term Liabilities:</b>		
Convertible note payable, net of premiums - related party	-	1,791,312
Notes and loans payable – net of current portion	303,202	-
Lease liability, less current portion	34,812	86,991
<b>Total Long-term Liabilities</b>	<b>338,014</b>	<b>1,878,303</b>
<b>Total Liabilities</b>	<b>16,252,664</b>	<b>18,685,989</b>
<b>Commitments and Contingencies (Note 16)</b>		
<b>Stockholders' Deficit:</b>		
Preferred stock - \$0.0001 par value, 5,000,000 shares authorized, Series A preferred stock - no par value, 250 shares designated, issued and outstanding at September 30, 2021 and September 30, 2020, respectively	-	-
Common stock - \$0.0001 par value, 6,000,000,000 shares authorized, 2,470,510,585 and 491,032,439 shares issued and outstanding at September 30, 2021 and September 30, 2020, respectively	247,052	49,104
Additional paid-in capital	17,913,710	13,080,692
Accumulated deficit	(32,956,840)	(31,074,769)
<b>Total Stockholders' Deficit</b>	<b>(14,796,078)</b>	<b>(17,944,973)</b>
<b>Total Liabilities and Stockholders' Deficit</b>	<b>\$ 1,456,586</b>	<b>\$ 741,016</b>

See accompanying notes to consolidated financial statements

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**BANTEC, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

	<b>For the Years Ended</b>	
	<b>September 30,</b>	
	<b>2021</b>	<b>2020</b>
Sales	\$ 2,422,996	\$ 4,455,186
Cost of Goods Sold	1,553,516	3,351,438

Gross Profit	869,480	1,103,748
Operating Expenses:		
Selling, general, and administrative expenses	2,834,856	2,830,140
Depreciation	7,374	11,088
Total Operating Expenses	2,842,430	2,841,228
Loss Before Other (Income) Expense	(1,972,750)	(1,737,480)
Other (Income) Expense:		
Interest and financing costs	1,440,220	1,598,246
(Gain) loss on debt extinguishment and settlements, net	(1,536,815)	992,592
Loss on change in fair market value of derivative	5,916	-
Total Other (Income) Expense	(90,679)	2,590,838
Net Loss before Provision for Income Tax	(1,882,071)	(4,328,318)
Provision for Income Tax	-	-
Net Loss	\$ (1,882,071)	\$ (4,328,318)
Basic and Diluted Loss Per Share	\$ (0.00)	\$ (0.05)
Weighted Average Number of Common Shares Outstanding:		
Basic and diluted	1,425,249,598	93,011,260

See accompanying notes to consolidated financial statements

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**BANTEC, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT**  
For the Years Ended September 30, 2021 and 2020

	Series A Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount			
Balance - September 30, 2019	250	\$ -	3,255,346	\$ 326	\$ 11,850,771	\$ (26,746,451)	\$ (14,895,354)
Roundup for reverse split of stock	-	-	319	-	-	-	-
Stock option expense	-	-	-	-	103,793	-	103,793
Shares issued for cash	-	-	151,221,142	15,122	249,515	-	264,637
Shares issued for conversion of notes including premiums reclassified	-	-	336,461,204	33,646	853,139	-	886,785
Cancellation of shares for 3(a)(10) debt settlement	-	-	(194,520)	(19)	19	-	-
Shares issued to non- employees for services	-	-	288,948	29	23,455	-	23,484
Net loss	-	-	-	-	-	(4,328,318)	(4,328,318)
Balance - September 30, 2020	250	-	491,032,439	49,104	13,080,692	(31,074,769)	(17,944,973)
Share option expense	-	-	-	-	82,308	-	82,308
Shares issued to employees	-	-	11,000,000	1,100	76,300	-	77,400
Shares issued to non-employees for services	-	-	20,000,000	2,000	146,000	-	148,000
Shares issued for legal settlement	-	-	36,821,330	3,682	115,988	-	119,670
Shares issued for cash	-	-	1,393,006,910	139,299	2,944,631	-	3,083,930
Shares issued for conversions of notes including premiums reclassified	-	-	518,649,906	51,867	1,467,791	-	1,519,658
Net loss	-	-	-	-	-	(1,882,071)	(1,882,071)
Balance September 30, 2021	250	\$ -	2,470,510,585	\$ 247,052	\$ 17,913,710	\$ (32,956,840)	\$ (14,796,078)

See accompanying notes to consolidated financial statements.

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For the Years Ended  
September 30,

	2021	2020
Cash Flows from Operating Activities:		
Net loss	\$ (1,882,071)	(4,328,318)
Adjustments to reconcile net loss to net cash used in operating activities:		
Share-based compensation and other expenses	250,709	127,277
Stock based fee, upon conversion of notes	6,830	22,222
Depreciation	7,374	11,088
Amortization of debt discounts	183,992	196,961
Accretion of premium on convertible note	407,186	435,909
Default penalties charged	-	49,000
Net gain on settlement of accounts payable and accrued expenses	(31,479)	(11,113)
Net gain (loss) on debt extinguishments	(1,505,336)	1,003,705
Non-cash rent expense	848	395
Fee notes issued	62,500	253,000
Loss on change in fair market value of derivative	5,916	-
Loan fee expense	2,670	-
Changes in Operating Assets and Liabilities:		
Accounts receivable	221,003	442,339
Inventory	(17,238)	73,959
Prepaid expenses and other current assets	6,521	(30,856)
Accounts payable and accrued expenses and interest	703,927	1,395,156
Settlements payable	-	(131,724)
Cash Used in Operating Activities	<u>(1,576,648)</u>	<u>(491,000)</u>
Cash Flows from Investing Activities:		
Purchase of Patent (Intangible)	<u>(44,650)</u>	<u>-</u>
Cash Used in Investing Activities	<u>(44,650)</u>	<u>-</u>
Cash Flows from Financing Activities:		
Proceeds from stock sales	3,083,930	264,637
Proceeds from convertible notes payable	487,500	292,500
Repayments of convertible notes payable	(18,000)	-
Proceeds from loans and notes payable	752,382	1,020,115
Repayments on loans and notes payable	(880,624)	(675,770)
Repayment of line of credit	(36,724)	(2,947)
Proceeds notes payable – related party	190,000	-
Repayment of notes payable – related party	(190,000)	-
Proceeds from short-term advances - related party	60,400	-
Repayments short-term advances related party	(60,400)	-
Proceeds from line of credit - related parties	-	64,940
Repayment of loans and line of credit - related parties	<u>(945,227)</u>	<u>(458,303)</u>
Cash Provided by Financing Activities	<u>2,443,237</u>	<u>505,182</u>
Net Increase (Decrease) in Cash	821,939	14,182
Cash - beginning of year	164,014	149,832
Cash - end of year	<u>\$ 985,953</u>	<u>\$ 164,014</u>
Supplemental Disclosures of Cash Flow Information:		
Cash paid for:		
Interest	<u>\$ 501,690</u>	<u>\$ -</u>
Taxes	<u>\$ -</u>	<u>\$ -</u>
Noncash financing and investing activities:		
Right of use asset	<u>\$ -</u>	<u>\$ 156,554</u>
Capitalization of convertible note accrued interest to principal	<u>\$ -</u>	<u>\$ 8,870</u>
Original issue discounts notes	<u>\$ 180,533</u>	<u>\$ 201,201</u>
Issuance of common stock for note conversions	<u>\$ 822,545</u>	<u>\$ 445,184</u>
Issuance of common stock for accrued interest of note	<u>\$ 60,298</u>	<u>\$ 16,876</u>
Reclassification of debt premium upon note conversions	<u>\$ 629,984</u>	<u>\$ 402,503</u>
Issuance of common stock for accrued salary	<u>\$ 57,000</u>	<u>\$ -</u>
Issuance of common stock for potential legal settlement	<u>\$ 119,670</u>	<u>\$ -</u>

See accompanying notes to consolidated financial statements

**BANTEC, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021 AND 2020**

**NOTE 1 - NATURE OF OPERATIONS**

Bantec, Inc. is product and service company targeting the U.S. Government, state governments, municipalities, hospitals, universities, manufacturers and other building owners. Bantec also provides product procurement, distribution, and logistics services through its wholly-owned subsidiary, Howco Distributing Co., (“Howco”) (collectively, the “Company”) to the United States Department of Defense and Defense Logistics Agency. The Company established Bantec Sanitizing in fiscal 2021, which offers sanitizing products and equipment through its new store bantec.store. Bantec Sanitizing is currently offering Bantec Sanitizing franchises

for sale. Bantec Construction, LLC was established to perform general contracting, under the plan for the company is to provide general contracting for projects emanating from Bantec Sanitizing for floor, wall and ceiling installation of materials that are easily sanitized. The Company has operations based in Little Falls, New Jersey and Vancouver, Washington. The Company continues to seek strategic acquisitions and partnerships that offer us an opportunity to grow sales and profit.

On April 24, 2018 the Company amended its articles of incorporation, filed with the Delaware Secretary of State, changing the Company name from Drone USA, Inc. to Bantek, Inc., which was accepted by FINRA on February 19, 2019. Bantek, Inc. filed a change of name to Bantec, Inc. and to effect a reverse stock split (of the common stock) of 1 for 1,000 on August 6, 2019, which became effective on February 10, 2020. All share and per share related amounts in the accompanying consolidated financial statements and footnotes have been retroactively adjusted for all periods presented for the effect of the reverse split.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GOING CONCERN

### Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Bantec, Inc. and its wholly-owned subsidiaries, Drone USA, LLC, Bantec Construction, LLC, Bantec Sanitizing, LLC, and Howco. Bantec Construction, LLC and Bantec Sanitizing, LLC are both in start-up stages with minor cash expenditures. All significant intercompany accounts and transactions have been eliminated in consolidation.

### Going Concern

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern, which contemplates the recoverability of assets and the satisfaction of liabilities in the normal course of business. For the year ended September 30, 2021, the Company has incurred a net loss of \$1,882,071 and used cash in operations of \$1,576,648. The working capital deficit, stockholders' deficit and accumulated deficit was \$14,709,592, \$14,796,078 and \$32,956,840, respectively, at September 30, 2021. Furthermore, on September 6, 2019 the Company received a default notice on its payment obligations under the senior secured credit facility agreement (see Note 10), defaulted on its Note Payable – Seller in September 2017 and has since defaulted on other promissory notes. As of September 30, 2021 the Company has received demands for payment of past due amounts from several consultants and service providers. It is management's opinion that these matters raise substantial doubt about the Company's ability to continue as a going concern for a period of twelve months from the issuance date of this report. The ability of the Company to continue as a going concern is dependent upon management's ability to further implement its business plan and raise additional capital as needed from the sales of stock or debt. The Company has continued to implement cost-cutting measures and restructuring or setting up payment plans with vendors and service providers and plans to raise equity through a private placement, and restructure or repay its secured obligations. The accompanying consolidated financial statements do not include any adjustments that might be required should the Company be unable to continue as a going concern.

### Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include the allowance for bad debt on accounts receivable, reserves on inventory, valuation of intangible assets for impairment analysis, valuation of the lease liability and related right-of-use asset, valuation of stock-based compensation, the valuation of derivative liabilities and the valuation allowance on deferred tax assets.

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## BANTEC, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2021 AND 2020

### Fair Value Measurements

The Company follows the FASB *Fair Value Measurements* standard, as they apply to its financial instruments. This standard defines fair value, outlines a framework for measuring fair value, and details the required disclosures about fair value measurements.

Fair value is defined as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. The standard establishes a hierarchy in determining the fair value of an asset or liability. The fair value hierarchy has three levels of inputs, both observable and unobservable. Level 1 inputs include quoted market prices for identical assets or liabilities in an active market that the Company has the ability to access at the measurement date. Level 2 inputs are market data, other than Level 1, that are observable either directly or indirectly. Level 2 inputs include quoted market prices for similar assets or liabilities, quoted market prices in an inactive market, and other observable information that can be corroborated by market data. Level 3 inputs are unobservable and corroborated by little or no market data. The standard requires the utilization of the lowest possible level of input to determine fair value and carrying amounts of current liabilities approximate fair value due to their short-term nature. The Company accounts for certain instruments at fair value using level 3 valuation.

Description	At September 30, 2021			At September 30, 2020		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Derivative Liability	-	-	\$ 125,693	-	-	\$ 128,628

A roll-forward of the level 3 valuation financial instruments is as follows:

	Derivative Liabilities
Balance at September 30, 2020	\$ 128,628
Gain on debt extinguishment upon conversion of related note payable	(8,851)
Derivative expense	5,916
Balance at September 30, 2021	<u>\$ 125,693</u>

The warrants were issued to a convertible note holder in November and December 2017 and initially determined to be equity instruments and recorded as note discount and as additional paid in capital. On June 4, 2018 the anti-dilutive provision of the warrants took effect and based on the new conversion formula management determined the warrant became a derivative liability and reclassified the Fair Value on June 4, 2018 from additional paid-in capital to derivative liability with fair market value changes recognized in operations for each reporting date. The derivative liability associated with the warrants is \$125,693 at September 30, 2021. The derivative liability for convertible notes was \$8,851 at September 30, 2020 and was recognized as a gain on debt extinguishment upon note conversion during the year ended September 30, 2021. (See Notes 10 and 12).

### Cash and Cash Equivalents

Cash equivalents consist of liquid investments with maturities of three months or less at the time of purchase. There are no cash equivalents at the balance sheet dates.

### Accounts Receivable

Trade receivables are recorded at net realizable value consisting of the carrying amount less the allowance for doubtful accounts, as needed. Factors used to



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**BANTEC, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021 AND 2020**

*Inventory*

Inventory consists of finished goods, which are purchased directly from manufacturers. The Company utilizes a just in time type of inventory system where products are ordered from the vendor only when the Company has received sales order from its customers. Inventory is stated at the lower of cost and net realizable value on a first-in, first-out basis.

*Property & Equipment*

Property and equipment are stated at cost and depreciated over their estimated useful lives. Maintenance and repairs are charged to expense as incurred. When assets are retired or disposed of, the cost and accumulated depreciation are removed from the accounts, and any resulting gains or losses are included in income in the year of disposition. The Company examines the possibility of decreases in the value of these assets when events or changes in circumstances reflect the fact that their recorded value may not be recoverable. The assets are fully operational drones used as demonstration units and each unit exceeds management's threshold for capitalization of \$2,000. The Company depreciates these demonstration units over a period of 3 years. Depreciation expense was \$7,374 and \$11,088 in 2021 and 2020, respectively.

*Goodwill and Intangible Assets*

The Company acquired a patent for a new product during the year ended September 30, 2021. The Company capitalized acquisition and related legal fees related to the patent totaling \$44,650. The capitalized amount will be amortized over the next three years. Impairment will be tested annually or as indicators of impairment are available.

*Long-Lived Assets*

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Impairment is determined by comparing the carrying value of the long-lived assets to the estimated undiscounted future cash flows expected to result from use of the assets and their ultimate disposition. In instances where impairment is determined to exist, the Company writes down the asset to its fair value based on the present value of estimated future cash flows.

*Deferred Financing Costs*

All unamortized deferred financing costs related to the Company's borrowings are presented in the consolidated balance sheets as a direct deduction from the related debt. Amortization of these costs is reported as *interest and financing costs* included in the consolidated statement of operations.

*Revenue Recognition*

Effective October 1, 2018, the Company adopted Accounting Standards Codification ("ASC") 606, Revenue From Contracts With Customers, which is effective for public business entities with annual reporting periods beginning after December 15, 2017. This new revenue recognition standard (new guidance) has a five-step process: a) Determine whether a contract exists; b) Identify the performance obligations; c) Determine the transaction price; d) Allocate the transaction price; and e) Recognize revenue when (or as) performance obligations are satisfied. The Company's initial application of ASC 606 did not have a material impact on its financial statements and disclosures and there was no cumulative effect of the adoption of ASC 606.

The Company sells a variety of products to government entities. The purchase orders received specifies each item and its manufacturer; the Company only needs to fulfill the performance obligation by shipping the specified items. No other performance obligations exist under the terms of the contracts. The Company recognizes revenue for the agreed upon sales price when the product is shipped to the customer, which satisfies the performance obligation.

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**BANTEC, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021 AND 2020**

During the year-ended September 30, 2021, the Company through its subsidiary Howco entered into contracts to package products for a third-party company servicing the same government customer base. The contracts were on job lot basis as shipped to Howco for packaging. The customer was billed upon completion each job lot at which time revenue was recognized.

The Company sells drones and related products manufactured by third parties to various parties. The Company also offers technical services related to drone utilization and performs other services. The Company began offering insulation jackets for commercial and government facilities to insulate and monitor heating and cooling equipment. Contracts for drone related products and services and insulating jacket related sales will be evaluated using the five-step process outline above. There have been no material sales for drone products or other services for which full compliance with performance obligations has not been met. Sales of insulation jackets have not yet commenced. Upon significant sales for drone products and services and insulation jackets, the Company will disaggregate sales by these lines of business and within the lines of business to the extent that the product or service has different revenue recognition characteristics.

*Stock-based compensation*

Stock-based compensation is accounted for based on the requirements of ASC 718 – "*Compensation – Stock Compensation*", which requires recognition in the financial statements of the cost of employee and director services received in exchange for an award of equity instruments over the period the employee or director is required to perform the services in exchange for the award (presumptively, the vesting period). The ASC also requires measurement of the cost of employee and director services received in exchange for an award based on the grant-date fair value of the award. The Company utilizes the Black-Scholes option pricing model and uses the simplified method to determine expected term because of lack of sufficient exercise history. Additionally, effective October 1, 2016, the Company adopted the Accounting Standards Update No. 2016-09 ("ASU 2016-09"), *Improvements to Employee Share-Based Payment Accounting*. Among other changes, ASU 2016-09 permits the election of an accounting policy for forfeitures of share-based payment awards, either to recognize forfeitures as they occur or estimate forfeitures over the vesting period of the award. The Company has elected to recognize forfeitures as they occur and the cumulative impact of this change did not have any effect on the Company's consolidated financial statements and related disclosures.

As of October 1, 2018, the Company has early adopted ASU 2018-7 Compensation-Stock Compensation which conforms the accounting for non-employees to the

accounting treatment for employees. The new standard replaces using a fair value as of each reporting date with use of the calculated fair value as of the grant date. The implementation of the standard provides for the use of the fair market value as of the adoption date, rather than using the value as of the original grant date. Therefore, the values calculated and reported at September 30, 2018 become a proxy for the grant date value. The Company utilizes the Black-Sholes option pricing model and uses the simplified method to determine expected term because of lack of sufficient exercise history. There was no cumulative effect on the adoption date.

#### *Shipping and Handling Costs*

The Company has included freight-out as a component of cost of sales, which amounted to \$47,716 and \$95,634 for the years ended September 30, 2021 and 2020, respectively.

#### *Convertible Notes with Fixed Rate Conversion Options*

The Company may enter into convertible notes, some of which contain, predominantly, fixed rate conversion features, whereby the outstanding principal and accrued interest may be converted by the holder, into common shares at a fixed discount to the market price of the common stock at the time of conversion. This results in a fair value of the convertible note being equal to a fixed monetary amount. The Company records the convertible note liability at its fixed monetary amount by measuring and recording a premium, as applicable, on the Note date with a charge to interest expense in accordance with ASC 480 - "Distinguishing Liabilities from Equity".

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### **BANTEC, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2021 AND 2020**

#### *Derivative Liabilities*

The Company has certain financial instruments that are derivatives or contain embedded derivatives. The Company evaluates all its financial instruments to determine if those contracts or any potential embedded components of those contracts qualify as derivatives to be separately accounted for in accordance with ASC 810-10-05-4 and 815-40. This accounting treatment requires that the carrying amount of any derivatives be recorded at fair value at issuance and marked-to-market at each balance sheet date. In the event that the fair value is recorded as a liability, as is the case with the Company, the change in the fair value during the period is recorded as either other income or expense. Upon conversion, exercise or repayment, the respective derivative liability is marked to fair value at the conversion, repayment or exercise date and then the related fair value amount is reclassified to other income or expense as part of gain or loss on extinguishment.

#### *Lease Accounting*

In February 2016, the FASB issued a new accounting standard on leases. The new standard, among other changes, will require lessees to recognize a right-of-use asset and a lease liability on the balance sheet for all leases. The lease liability will be measured at the present value of the lease payments over the lease term. The right-of-use asset will be measured at the lease liability amount, adjusted for lease prepayments, lease incentives received and the lessee's initial direct costs (e.g. commissions). The new standard is effective for annual reporting periods beginning after December 15, 2018, including interim reporting periods within those annual reporting periods. The adoption will require a modified retrospective approach for leases that exist or are entered into after the beginning of the earliest period presented.

The Company's subsidiary has renewed the lease for the warehouse and office facility in Vancouver, Washington in May 2020 effective June 1, 2020, which extends through May 30, 2023, and is accounted for under ASC 842. The corporate office is an annual arrangement which provides for a single office in a shared office environment and is exempt from ASC 842 treatment. During the year ended September 30, 2020 the Company recognized a lease liability of \$156,554 and the related right-of-use asset for the same amount and will amortize both over the life of the lease.

#### *Income Taxes*

The Company's current provision for income taxes is based upon its estimated taxable income in each of the jurisdictions in which it operates, after considering the impact on taxable income of temporary differences resulting from different treatment of items for tax and financial reporting purposes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and any operating loss or tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the year in which those temporary differences are expected to be recovered or settled. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income in those periods in which temporary differences become deductible. Should management determine that it is more likely than not that some portion of the deferred tax assets will not be realized, a valuation allowance against the deferred tax assets would be established in the period such determination was made. The Company follows the accounting for uncertainty in income taxes guidance, which clarifies the accounting and disclosures for uncertainty in income taxes recognized in the Company's financial statements and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. It also provides guidance on derecognition and measurement of a tax position taken or expected to be taken in a tax return.

The Company currently has no federal or state tax examinations in progress. As of September 30, 2021, the Company's tax returns for the tax years 2020, 2019 and 2018 remain subject to audit, primarily by the Internal Revenue Service.

The Company did not have material unrecognized tax benefits as of September 30, 2021 and 2020 and does not expect this to change significantly over the next 12 months. The Company will recognize interest and penalties accrued on any unrecognized tax benefits as a component of provision for income taxes.

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### **BANTEC, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2021 AND 2020**

#### *Net Loss Per Share*

Basic loss per share is calculated by dividing the loss attributable to stockholders by the weighted-average number of shares outstanding for the period. Diluted loss per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that shared in the earnings (loss) of the Company. Diluted loss per share is computed by dividing the loss available to stockholders by the weighted average number of shares outstanding for the period and dilutive potential shares outstanding unless such dilutive potential shares would result in anti-dilution. As of September 30, 2021, 17,223 options were outstanding of which 15,854 were exercisable, and 42,777,527 warrants were outstanding and exercisable. Additionally, as of September 30, 2021, the outstanding principal balance, including accrued interest of the third-party convertible debt, totaled \$7,950,959 and was convertible into 2,549,848,072 shares of common stock. The total potentially dilutive shares calculated is 2,592,642,822. It should be noted that contractually the limitations on the third-party notes (and the related warrant) limit the number of shares converted to either 4.99% or 9.99% of the then outstanding shares. As of September 30, 2021, and 2020, potentially dilutive securities consisted of the following:

	September 30, 2021	September 30, 2020
Stock options	17,223	17,775
Warrants	42,777,527	25,484,484
Related party convertible debt and accrued interest	-	526,400,307
Third party convertible debt (including senior debt)	2,549,848,072	2,068,874,206
Total	2,592,642,822	2,620,776,752

#### Segment Reporting

The Company uses “the management approach” in determining reportable operating segments. The management approach considers the internal organization and reporting used by the Company’s chief operating decision maker for making operating decisions and assessing performance as the source for determining the Company’s reportable segments. The Company’s chief operating decision maker is the chief executive officer of the Company, who reviews operating results to make decisions about allocating resources and assessing performance for the entire Company. As of September 30, 2021, the Company did not report any segment information since the Company primarily generates sales from its subsidiary, Howco.

#### Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation. In the consolidated statement of cash flows, the change in the ROU lease asset and change in the related ROU lease liability was presented on a gross basis in 2020. These amounts have been reclassified to conform with the current year presentation on a net basis where \$395 is now shown as non-cash rent expense.

#### Recent Accounting Pronouncements

On August 5, 2020, the Financial Accounting Standards Board (FASB) issued accounting standards update (ASU) No. 2020-06, *Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity’s Own Equity (Subtopic 815-40)*.

The amendments in the ASU remove certain separation models for convertible debt instruments and convertible preferred stock that require the separation of a convertible debt instrument into a debt component and an equity or derivative component. The ASU also amends the derivative scope exception guidance for contracts in an entity’s own equity. The amendments remove three settlement conditions that are required for equity contracts to qualify for the derivative scope exception.

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**BANTEC, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021 AND 2020**

In addition to the above, the ASU expands disclosure requirements for convertible instruments and simplifies areas of the guidance for diluted earnings-per-share calculations that are impacted by the amendments.

The ASU is effective for public business entities that meet the definition of a Securities and Exchange Commission (SEC) filer, excluding smaller reporting companies as defined by the SEC, for fiscal years beginning after December 15, 2021. Early adoption is permitted. The FASB noted that an entity should adopt the guidance as of the beginning of its annual fiscal year. The standard is effective for the Company beginning in fiscal year September 30, 2024.

Entities may elect to adopt the amendments through either a modified retrospective method of transition or a fully retrospective method of transition. If an entity has convertible instruments that include a down round feature, early adoption of the ASU is permitted for fiscal years beginning after December 15, 2020.

ASU 2016-13 Measurement of Credit Losses on Financial Instrument is effective for fiscal years beginning after December 15, 2022. This is not expected to apply to the Company as financial instruments giving rise to credit risk are not utilized by the Company.

In May 2021, the FASB issued ASU 2021-04, Earnings Per Share (Topic 260), Debt-Modifications and Extinguishments (Subtopic 470-50), Compensation-Stock Compensation (Topic 718), and Derivatives and Hedging-Contracts in Entity’s Own Equity (Subtopic 815-40). The new ASU addresses issuer’s accounting for certain modifications or exchanges of freestanding equity-classified written call options. This amendment is effective for all entities, for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. Early adoption is permitted. The Company is currently evaluating the impact this new guidance will have on its financial statements

The Company does not believe that any other recently issued but not yet effective accounting pronouncements, if adopted, would have a material effect on the accompanying consolidated financial statements.

#### **NOTE 3 - ACCOUNTS RECEIVABLE**

The Company’s accounts receivable at September 30, 2021 and 2020 is as follow:

	September 30, 2021	September 30, 2020
Accounts receivable	\$ 128,386	\$ 349,389
Reserve for doubtful accounts	-	-
	<u>\$ 128,386</u>	<u>\$ 349,389</u>

Bad debt expense was \$0 for the years ended September 30, 2021 and 2020.

#### **NOTE 4 - INVENTORY**

At September 30, 2021 and 2020, inventory consists of finished goods and was valued at \$61,837 and \$44,599, respectively. No inventory reserve was deemed necessary at September 30, 2021 or 2020.

#### **NOTE 5 - INTANGIBLE ASSETS**

The Company acquired a patent for a new product during the year ended September 30, 2021. The Company capitalized acquisition and related legal fees related to the patent totaling \$44,650. The capitalized amount will be amortized over the next three fiscal years.

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**BANTEC, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021 AND 2020**

**NOTE 6 - LINE OF CREDIT - BANK**

The Company has a revolving line of credit with a financial institution, which balance is due on demand and principal payments are due monthly at 1/60<sup>th</sup> of the outstanding principal balance. This revolving line of credit is in the amount of \$50,000, and is personally guaranteed by the Company's Chief Executive Officer ("CEO"). The line bears interest at a fluctuating rate equal to the prime rate plus 4.25%, which at September 30, 2021 and September 30, 2020 was 7.5% and 7.5%, respectively. As of September 30, 2021 and 2020, respectively, the balance of the line of credit was \$4,885 and \$41,609, with \$45,115, available at September 30, 2021.

**NOTE 7 - SETTLEMENTS PAYABLE**

On July 20, 2018, the Company entered into a settlement agreement with a collection agent for American Express relating to \$127,056 of past due charges. The agreement provides for initial payment of \$12,706, monthly payments of \$6,500 and final payment on January 27, 2020 of \$3,850. The amount due at September 30, 2021, and 2020, was \$42,850, and \$42,850, respectively. Under the terms of the stipulation and settlement agreement, this debt is in default.

**NOTE 8 - NOTE PAYABLE - SELLER**

In connection with the acquisition of Howco in September 2016, the Company issued a note payable in the amount of \$900,000 to the sellers of Howco. The note matured on September 9, 2017 and bears interest at 5.50% per annum. The note requires payment of unpaid principal and interest upon maturity. The note is secured by all assets of Howco Distribution Co. and subordinated to the Senior Secured Credit Facility discussed below. The note is currently in default and the default interest rate is 8% per annum. At September 30, 2021 and September 30, 2020, the principal and accrued interest on this note amounted to \$873,000, \$340,663 and \$900,000, and \$269,682, respectively.

**NOTE 9 - CONVERTIBLE AND PROMISSORY NOTES PAYABLE - RELATED PARTY OFFICER AND HIS AFFILIATES**

*Convertible Notes*

The related party officer and his affiliates convertible notes balance consisted of the following at September 30, 2021 and 2020:

	2021	2020
Principal	\$ -	\$ 945,227
Premiums	-	846,085
Total	-	1,791,312
Current portion, including premiums	-	-
Long term	\$ -	\$ 1,791,312

Most of the related party convertible notes included a cross-default clause which in event of a default on another note holder's note causes a default on the related party notes. The Company and the respective note holders have amended those notes effective September 30, 2020 to remove the clauses.

The Company has a \$840,000 convertible note payable ("Note 1") to a related party entity controlled by the Company's CEO. Note 1 bear interest at an annual rate of 7% with an original maturity date of June 11, 2017, which has been extended to June 11, 2022, at which time all unpaid principal and interest is due. The holder of Note 1 has the option to convert the outstanding principal and accrued interest, in whole or in part, into shares of common stock at a conversion price equal to the volume weighted average price per share of common stock for the 30-day period prior to conversion.

**BANTEC, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021 AND 2020**

On April 15, 2020, the Company amended the above Note 1 first issued to AIG and subsequently assigned to Pike Falls LLC (entities controlled by the Company's CEO) in amount of \$840,000, with a principal and accrued interest balance of \$688,444, and \$210,409, respectively at June 30, 2020. The amendment changes conversion terms, which now state the note principal and interest may be converted to common stock at 50% of the lowest closing bid price during the thirty days prior to conversion, increases the interest rate to 10%, and has a maturity date of January 7, 2022. The change in conversion terms has been treated as a debt extinguishment and the modified note is treated as stock settled debt under ASC 480, and a put premium of \$688,444 was recognized with a charge to loss on debt extinguishment. The principal balance was \$377,194 and accrued interest was \$221,323 at September 30, 2020. As of September 30, 2021, Note 1 principal has been fully converted or paid in cash along with accrued interest of \$224,370, and the accrued interest balance was \$0 as of September 30, 2021. \$377,194, related to put premiums was recognized as a gain on extinguishment of debt during the year ended September 30, 2021.

The Company has a convertible note payable (for an unspecified amount) with the Company's CEO. This line of credit ("LoC") bears interest at an annual rate of 7% with a maturity date of December 31, 2017, at which time all unpaid principal and interest was due. On December 15, 2017 the due date was extended to July 2, 2018 and then in July, 2018, the due date was extended to June 30, 2019, and on December 23, 2018 the maturity date of the LoC was extended to September 23, 2024. The holder of the LoC has the option to convert the outstanding principal and accrued interest, in whole or in part, into shares of common stock at a conversion price equal to the volume weighted average price per share of common stock for the 30-day period prior to conversion. This LoC is considered a stock settled debt in accordance with ASC 480 and the fixed monetary amount is equal to the principal amount based on the conversion formula. During the year ended September 30, 2020 the Company was advanced \$64,940 and repaid \$132,803, on this LoC. As of September 30, 2020, the LoC had not been converted and the balance was \$99,142, and accrued interest was \$31,260. During the year ended September 30, 2021 the balance of the LoC principal was fully paid in cash along with all accrued interest, totaling \$32,900.

On July 2, 2019, the Company issued a convertible note payable ("Note 2") to an affiliate of the Company's CEO for \$15,000 cash. The funds were paid directly to a vendor to the Company. The note had an original maturity of June 9, 2020; however, the note was amended effective September 30, 2020 and the new maturity is May 31, 2022. The note bears interest at 10% and may be converted into the Company's common stock at 50% of the lowest closing bid in the 20 trading days prior to notification of conversion. The Company accounted for the convertible promissory note as stock settled debt under ASC 480 and recorded a debt premium of \$15,000 with a charge to interest expense for the note. The note principal and accrued interest (\$2,155) was fully repaid during the year ended September 30, 2021 and put premium of \$15,000, was recognized as gain on debt extinguishment. Accrued interest was \$0 at September 31, 2021 and \$1,843, at September 30, 2020.

On September 13, 2019, the Company issued a convertible note payable to an entity controlled by the Company's CEO for \$17,000 in cash. The note had an original maturity of June 9, 2020. The note was amended, effective September 30, 2020, and the new maturity is May 31, 2022. The note bears interest at 10% and may be converted to the Company's common stock at 50% of the lowest closing bid in the 20 trading days prior to notification of conversion. The Company has accounted for the convertible promissory note as stock settled debt under ASC 480 and recorded a debt premium of \$17,000 with a charge to interest expense for the notes. The note principal and accrued interest of \$2,152 was fully repaid and a put premium of \$17,000, was recognized as gain on debt extinguishment during the year ended September 30, 2021. Accrued interest was \$1,799, at September 30, 2020.

On December 30, 2018 the Company issued a promissory note to the CEO for a \$400,000 in cash. The note bears interest at 12% per annum, matures on January 7, 2024 and required monthly payment of principal of \$5,000 with a balloon payment at maturity. On April 14, 2020, the Company amended the above note first issued to Michael Bannon (the Company's CEO) with a principal and interest balance of \$367,500, and \$76,619, respectively at September 30, 2020. The amendment adds conversion terms, which state the note principal and interest may be converted to common stock at 50% of the lowest closing bid price during thirty days prior to conversion, and reduces the interest rate to 10%, and extends the maturity date to January 7, 2024. The change in conversion terms was treated as a debt extinguishment and the new note is considered a stock settled debt under ASC 480, and a put premium of \$367,500 was recognized with a charge to interest expense. The note principal and accrued interest of \$83,133 was fully repaid in cash during the year ended September 30, 2021 and a gain on debt extinguishment was recognized for the premium upon cash repayment. The accrued interest balance was \$76,619 at September 30, 2020.

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**BANTEC, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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On January 19, 2019 the Company issued a, promissory note to the CEO for a \$200,000, cash loan. The note bears interest at 12% per annum, matures on September 23, 2021 and requires monthly payments of \$2,500 principal. On April 14, 2020, the Company amended the note with a principal and interest balance of \$195,000, and \$17,947. The amendment adds conversion terms, which state the note principal and interest may be converted to common stock at 50% of the lowest closing bid price during thirty days prior to conversion, and reduces the note interest rate to 10%, and extends the maturity date to April 15, 2026. The change in conversion terms has been treated as a debt extinguishment and the new note is considered a stock settled debt under ASC 480, and put premium of \$195,000 has been recognized with a charge to loss on debt extinguishment. During 2020, \$14,250 was repaid and \$180,750 was converted to common stock. Accrued interest of \$20,855 was repaid as of September 30, 2021.

On July 1, 2019, Howco entered into a purchase order financing agreement with an entity controlled by the Company's CEO ("Pike Falls") for cash advances to Howco. The advances are to be for 100% of the face value of the purchase orders to be repaid with accounts receivable related to the sales of the products underlying the purchase orders. Pike Falls receives 4% of the purchase price for the first 45 days and .00086% per day thereafter on the unpaid balance.

On April 15, 2020, the Company issued a convertible note payable to Michael Bannon (the Company's CEO) in the principal amount of \$69,391, in replacement for the amounts owed to an entity controlled by Mr. Bannon (above) The new note interest rate is 10%, and it matures on January 31, 2022. The new note principal and interest may be converted into the Company's common stock at 50% of the lowest closing bid price in the thirty days preceding the conversion notice. This issuance was treated as a debt extinguishment of the old note and the new note conversion terms have been treated as stock settled debt under ASC 480, and put premium of \$69,391 was recognized with a charge to interest expense. The principal and accrued interest was \$69,391 and \$5,332 respectively as of September 30, 2020. During the year ended September 30, 2021 the principal and accrued interest of \$6,206 was fully paid in cash and \$69,391 was recognized as gain on extinguishment of debt.

*Other Notes Payable*

On December 22, 2020 a promissory note was issued to the CEO by Howco for \$50,000 having weekly payments of \$2,580 for twenty-five weeks, which include a total of \$14,500 of interest. The principal and interest due were fully paid at September 30, 2021.

On May 21, 2021 a promissory note was issued to the CEO by Howco for \$40,000 having weekly payments of \$2,080 for twenty-five weeks, which include a total of \$12,000 of interest. During the year ended September 30, 2021, repayments of principal were \$40,000 and interest of \$8,308 were changed to Interest Expense and were made reducing the principal balance to \$0. Interest charged was reduced due to early repayment.

On June 27, 2021 a promissory note was issued to the CEO by Howco for \$50,000 having weekly payments of \$2,580 for twenty-five weeks, which include a total of \$14,500 of interest. During the year ended September 30, 2021, repayments of principal were \$50,000 and interest of \$6,692 were changed to Interest Expense and were made reducing the principal balance to \$0. Interest charged was reduced due to early repayment.

On July 12, 2021 a promissory note was issued to the CEO by Howco for \$50,000 having weekly payments of \$2,580 for twenty-five weeks, which include a total of \$14,500 of interest. During the year ended September 30, 2021, repayments of principal were \$50,000 and interest of \$6,135, were changed to interest expense and were made reducing the principal balance to \$0.

During the year ended September 30, 2021, the CEO extended short-term advances totaling \$60,400, which were fully repaid as of September 30, 2021.

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**BANTEC, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021 AND 2020**

**NOTE 10 - CONVERTIBLE NOTES PAYABLE AND ADVISORY FEE LIABILITIES**

The senior secured credit facility note balance and convertible debt balances consisted of the following at September 30, 2021 and 2020:

	September 30, 2021	September 30, 2020
Principal	\$ 6,167,407	\$ 6,473,702
Premiums	1,509,673	1,846,471
Unamortized discounts	(14,440)	(9,223)
	<u>\$ 7,662,640</u>	<u>\$ 8,310,950</u>

For the years ended September 30, 2021 and 2020, amortization of debt discount on the above convertible notes amounted to \$30,533 and \$6,242, respectively.

*Senior Secured Credit Facility Note - Default*

On September 13, 2016, the Company entered into a senior secured credit facility note with an investment fund for the acquisition of Howco. The Company can borrow up to \$6,500,000, subject to lender approval, with an initial convertible promissory note at closing of \$3,500,000 (the "Note"). The Note bears interest at a rate of 18% per annum, required monthly payments of \$52,500, which is interest only, starting on October 13, 2016 through February 13, 2017, and monthly payments, including interest and principal, of \$298,341 starting on March 13, 2017 through maturity on March 13, 2018. In the event of default, the Note balance will bear interest at 25% per annum. In connection with this Agreement, the Company was obligated to pay additional advisory fees of \$850,000 payable in the form of cash or common stock in accordance with the terms of the Agreement. The Company was also required to reserve 7,000 shares of common stock related to this transaction. The reserved shares will be released upon the satisfaction of the loan.

As of September 30, 2021, and September 30, 2020, the Company had issued 539, shares of common stock in satisfaction of the \$850,000 advisory fee in accordance

with the terms of the agreement, such shares being issued in September 2016. The proceeds from the sale of the 539, shares were applied to the \$850,000 advisory fee due. Based upon the value of the shares, at the time the lender sells the shares, the Company may be required to redeem unsold shares for the difference between the \$850,000 and the lender's sales proceeds. Accordingly, the \$850,000 was reflected as a current liability through December 31, 2017. In January 2018, in connection with a settlement agreement (see below), the accrued advisory fee was reclassified to the principal balance of the replacement Convertible Note. Through the date of the settlement agreement and through September 30, 2021 and September 30, 2020, the lender had not reported any proceeds from the sale of these shares (see below). Prior to the settlement agreement in January 2018, notwithstanding anything contained in the Agreement to the contrary, in the event the Lender has not realized net proceeds from the sale of Advisory Fee Shares equal to at least the Advisory Fee by the earlier to occur of: (A) September 13, 2017; (B) the occurrence of an Event of Default; or (C) the Maturity Date, then at any time thereafter, the Lender shall have the right, upon written notice to the Borrower, to require that the Borrower redeem all Advisory Fee Shares then in Lender's possession for cash equal to the Advisory Fee, less any cash proceeds received by the Lender from any previous sales of Advisory Fee Shares, if any within five (5) Business Days from the date the Lender delivers such redemption notice to the Borrower.

The Note is only convertible upon default or mutual agreement by both parties at a conversion rate of 85% of the lowest of the daily volume weighted average price of the Company's common stock during the 5 business days immediately prior to the conversion date. At any time and from time to time while this Note is outstanding, but only upon: (i) the occurrence of an Event of Default under any of the Loan Documents; or (ii) mutual agreement between the Company and the Holder, this Note may be, at the sole option of the Holder, convertible into shares of the Company's common stock, in accordance with the terms and conditions of the Note. Upon liquidation by the Holder of Conversion Shares issued pursuant to a conversion notice, provided that the Holder realizes a net amount from such liquidation equal to less than the conversion amount specified in the relevant conversion notice, the Company shall issue to the Holder additional shares of the Company's common stock equal to: (i) the Conversion Amount specified in the relevant conversion notice; *minus* (ii) the realized amount, as evidenced by a reconciliation statement from the Holder (a "Sale Reconciliation") showing the realized amount from the sale of the Conversion Shares; *divided by* (iii) the average volume weighted average price of the Company's common stock during the five business days immediately prior to the date upon which the Holder delivers notice (the "Make-Whole Notice") to the Company that such additional shares are requested by the Holder.

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**BANTEC, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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Once a default occurs, the Note and the \$850,000 advisory fee payable will be accounted for as stock settled debt at its fixed monetary value. On March 13, 2017 the Company defaulted on the monthly principal and interest payment of \$298,341. Due to this default, as of June 30, 2017, the Company has accounted for the embedded conversion option as stock settled debt and recorded a debt premium of \$617,647 with a charge to interest expense, and the interest rate increased to 25% (default rate).

On March 28, 2017, the Company entered into an additional agreement with the above senior secured credit facility lender to receive a range of advisory services for a total of \$1,200,000 with no definitive terms or length of service which was expensed in fiscal 2017 and had been recorded as an accrued liability – advisory fees through December 31, 2017. In connection with the settlement agreement discussed below, in January 2018, the advisory services fees payable were reclassified to the principal balance of the replacement Convertible Note.

On January 3, 2018, the Company entered into a settlement agreement (the "Settlement Agreement") and replacement note agreements with the investment fund related to a senior secured credit facility note dated September 13, 2016. On the effective date of the Settlement Agreement, all amounts owed to the investment fund aggregated \$5,788,642 and consisted of a convertible promissory note of \$3,500,000, accrued interest payable of \$238,642, and accrued advisory fees payable of \$2,050,000. On the effective date of the Settlement Agreement, the amount due of \$5,788,642 was split and apportioned into two separate replacement notes ("Replacement Note A" and Note B"). Replacement Note A had a principal amount of \$1,000,000 and Replacement Note B had a principal balance of \$4,788,642, both of which remained secured by the original security, pledge and guarantee agreements; and other applicable loan documents, and bear interest at 18% per annum. The default was not waived by this settlement agreement. The Company originally recorded a premium on stock settled debt of \$617,647 on the \$3,500,000, and subsequent to the settlement agreement recorded an additional premium on stock settled debt of \$403,878 on the additional \$2,288,642 for accrued interest and advisory fees payable that were capitalized as note principal. The interest rate was amended to 12% effective June 12, 2018.

The Credit Agreement was amended such that the maturity date was extended to January 13, 2019 (the "Extended Maturity Date") for replacement Note B, while the Note A maturity date remained at March 13, 2018 but was due as of March 2017 due to the principal and interest payment default discussed above. Notwithstanding anything contained in this Agreement to the contrary, all obligations owing by the Company and all other Credit Parties under the Credit Agreement, First Replacement Note B, and all other Loan Documents shall be paid in full by the Extended Maturity Date as follows: \$52,500 per month from January 13, 2018 to December 13, 2018 and the remaining principal and accrued interest on January 13, 2019. Interest payments made since the amendment have totaled \$323,440 and are therefore not in accord with that amendment. However, TCA has received payments under the 3(a) (10) settlement (below) totaling \$308,100 during the year ended September 30, 2018, and another \$270,320, during the year ended September 30, 2019. The principal balance was \$4,788,642 at September 30, 2018.

On October 30, 2018, TCA the Company's senior lender amended its credit facility which had been restructured in January 2018 when fees for advisory and other matters along with accrued but unpaid interest were capitalized and separated into two notes, Note A having \$1,000,000 principal and Note B having \$4,788,642 both having the same maturity terms, interest rates and conversion rights. Under the current amendment total amounts outstanding under the notes along with accrued interest of \$537,643 has been capitalized with the principal amount due of \$6,018,192, \$5,326,285 for Note B and \$691,907 for Note A. The restated note has the same conversion price discount and therefore continues to be stock settled debt under ASC 480, an additional \$94,878 was charged to interest with a credit to debt premium. The restated note accrues interest on the principal balance at 12% per annum, includes amortization to the new maturity date of December 15, 2020. The amortization payments credited toward the principal amount and accrued interest vary and include payments made under the 3(a)(10) settlement agreement with a third party related to Note A. Economically the total principal and accrued interest outstanding remain unchanged as reported in the consolidated balance sheet. All other terms including conversion rights and a make-whole provision in the case of a conversion shortfall remain the same as stated in the footnotes above.

On September 6, 2019, the Company received a default notice on its payment obligations under the senior secured credit facility agreement from TCA. The Company has proposed a number of solutions including refinancing the debt with other parties. The default was declared due to non-payment of monthly scheduled amortization (principal and interest). TCA holds security interests in all assets of the Company including its subsidiary Howco. The Company is in negotiation with the receiver appointed by the court related to the senior secured creditor's claim and has proposed a preliminary settlement.

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**BANTEC, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021 AND 2020**

At September 30, 2021 and September 30, 2020, the principal of the Note B portion was \$5,326,285 and accrued interest was \$1,738,403 and \$1,099,250 respectively and the Note A principal subject to the 3(a) (10) court order was \$421,587. During the year ended September 30, 2021, the Company has not paid interest or principal and Livingston Asset Management (under the 3(a) (10) settlement) has not made any payments to TCA.

On January 30, 2018 pursuant to the Liability Purchase Term Sheet, the TCA Replacement Note A in the principal amount of \$1,000,000 was acquired by Livingston Asset Management LLC ("Livingston") from the original lender. Principal of Replacement Note A is due to Livingston with all then accrued but unpaid interest due to the original lender. In accordance with the terms of the Settlement Agreement, the Court was advised of the Company's intention to rely upon the exception to

registration set forth in Section 3(a) (10) of the Securities Act to support the issuance of its common shares and the Court held a fairness hearing regarding the issuance on March 12, 2018. Following entry of an Order by the Court which occurred on March 12, 2018, in settlement of the claims, the Company shall issue and deliver to Livingston shares of its common stock (the "Settlement Shares") in one or more tranches as necessary, and subject to adjustment and ownership limitations as set forth in the Settlement Agreement, sufficient to generate proceeds such that the aggregate Remittance Amount equals the Claim Amount. The Company will issue free trading shares of its common stock under section 3(a) (10) of the Securities Act to Livingston in the amount of such judgment in a series of tranches so that Livingston will not own more than 9.99% of the Company's outstanding shares per tranche. The parties reasonably estimate that the fair market value of the Settlement Shares to be received by Livingston is equal to approximately \$1,666,667 which is based on a discount of 40%.

In the year ended September 30, 2021, there were no 3(a) (10) issuances. As of September 30, 2021, there have been seventeen issuances under section 3(a) (10) of the Securities Act totaling 1,374,885 shares; 1,273,261, in 2019, and 101,624, in 2018, which have been recorded at par value with an equal charge to additional paid-in capital. On November 17, 2019, 194,520 of the shares issued under the 3(a) (10) were cancelled at the request of Livingston. The value originally recorded as a liability remains in the convertible note balance, until these shares have been sold and reported to the Company by the lender as part of the Make-Whole provision at which time the proceeds value of such shares are reclassified to additional paid-in capital. During the years ended September 30, 2018 and September 30, 2019, proceeds of \$308,100 and \$270,320, respectively were remitted to TCA by Livingston and applied to reduce the liability with corresponding credits to additional paid in capital. \$180,618 of debt premium was credited to additional paid in capital in conjunction with the payments to TCA. At September 30, 2020 and September 30, 2021 the balance, of \$421,587 along with related debt premium of \$281,054 are included in convertible notes payable on the balance sheet.

On March 7, 2018 the Company entered into a placement agent and advisory agreement with Scottsdale Capital Advisors in connection with the Livingston liability purchase term sheet executed on November 15, 2017. The placement agent services fee amounted to \$15,000 payable to Scottsdale Capital Advisors in the form of a convertible note. The note matures six months from the date of issuance and shall accrue interest at the rate of 10% per annum. The \$15,000 note is convertible into shares of the Company's common stock at a discount of 30% of the low closing bid price for the twenty trading days prior to the conversion and is not subject to any registration rights. The Company has accounted for the convertible promissory note as stock settled debt under ASC 480 and recorded a debt premium of \$6,429 with a charge to interest expense. The note has not been converted and the principal balance is \$15,000, at September 30, 2021 and September 30, 2020 with \$6,273, and \$4,293, of accrued interest, respectively. As the note has matured it is technically in default. Under the terms of the note no default interest or penalties accrue.

#### *Other Convertible Debt*

On June 1, 2018, the Company entered into a consulting and services arrangement with Livingston Asset Management which has no stipulated term. The arrangement provides for financial management services including accounting and related periodic reporting among other advisory services. Under the agreement the Company will issue to Livingston Asset Management Convertible Fee Notes having principal of \$12,500, interest of 10% per annum, maturity of six or seven months. The notes are convertible into common shares at a discount of 50% to the lowest bid price in the 30 trading days immediately preceding the notice of conversion. The notes were charged to professional fees for each corresponding service month. The Company has accounted for the convertible promissory note as stock settled debt under ASC 480 and recorded a debt premium of \$12,500 with a charge to interest expense for each note. As of September 30, 2021, the following notes had been issued, assigned and converted as indicated:

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### **BANTEC, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2021 AND 2020**

December 1, 2018, \$12,500 principal, maturing May 31, 2019 – partially converted, principal balance \$10,375 at September 30, 2019 – assigned to Alpha Capital Anstalt and fully converted;

January 1, 2019, \$12,500 principal, maturing June 30, 2019 – assigned to Alpha Capital Anstalt and fully converted;

February 1, 2019, \$12,500 principal, maturing July 31, 2019 – assigned to Alpha Capital Anstalt and fully converted;

March 1, 2019, \$12,500 principal, maturing August 31, 2019 – assigned to Alpha Capital Anstalt and fully converted;

April 1, 2019, \$12,500 principal, maturing September 30, 2019 – assigned to Alpha Capital Anstalt and fully converted;

May 1, 2019, \$12,500 principal, maturing October 31, 2019 – assigned to Alpha Capital Anstalt and fully converted; and

June 1, 2019, \$12,500 principal, maturing November 30, 2019 – assigned to Alpha Capital Anstalt and fully converted.

The notes were charged to professional fees for each corresponding service month. The Company has accounted for each of the Convertible Fee Notes as stock settled debt under ASC 480 and recorded a debt premium of \$12,500 each with a charge to interest expense.

On September 30, 2019, the Company issued a convertible note to Livingston Asset Management for \$51,000 (\$17,000, for each of the months from July to September, 2019), under the same interest rate and conversion discount terms. The note matures on March 31, 2020.

On November 1, 2019, Livingston Asset Management LLC amended the terms of the monthly fee notes issued between December 1, 2018 through September 30, 2019, totaling \$136,375, in principal such that the notes are no longer convertible into common stock. The principal balance of \$136,375 was reclassified to notes and loans payable and the related put premiums totaling \$136,375 were recognized as gains on debt extinguishment on the date of the amendment.

The \$85,375 of principal from the Livingston Asset Management LLC notes issued December 1, 2018 through June 1, 2019, along with \$8,475 of accrued interest were sold and assigned to Alpha Capital Anstalt, on February 20, 2020. The assigned notes became convertible as of the date of the assignment by virtue of an agreement between the Company and the new note holder. The terms of the notes provide for conversion of principal and accrued interest at a 50% discount to the lowest closing bid price over the 20 days prior to conversion. The notes have been accounted for as stock settled debt under ASC 480, and a debt premium of \$93,850 has been recognized with a charge to interest expense. During the year ended September 30, 2020, \$2,200 of the principal was converted into common stock. The total accrued unpaid interest (also not converted) is \$5,277 at September 30, 2020. The assigned notes are in default and there are cross-default terms in the original notes or the assignment documentation. Following conversions during the year ended September 30, 2021 the principal balance was \$0 at September 30, 2021 and \$91,300 as of September 30, 2020. Accrued interest was \$0 and \$5,277 at September 30, 2021 and September 30, 2020, respectively. Put premiums of \$91,300 were reclassified to additional paid in capital during the year ended September 30, 2021.

In April 2020, Livingston Asset Management LLC, sold and assigned its September 30, 2019, promissory notes to Tri-Bridge Ventures, LLC. The principal balance of \$51,000 and accrued interest of \$2,571 acquired at the date of the assignment. Tri-Bridge fully converted all principal and accrued interest by June 16, 2020.

Under the terms of the June 1, 2018 consulting and services agreement with Livingston Asset Management, LLC, as amended on July 1, 2019, Livingston is to receive \$20,000, per month including \$3,000 cash and \$17,000 in promissory notes. The notes bear interest of 10% per annum and mature in six month. The promissory notes are convertible into shares of common stock at a discount of 50% of the lowest closing bid price during the 30 trading days prior to conversion. The notes having a conversion feature are treated as stock settled debt under ASC 480 and a debt premium of \$17,000 is recognized as interest expense on note issuance date. During the year ended September 30, 2021, the October 1, 2020, November 1, 2020, December 1, 2020 and January 1, 2020 notes were fully converted and Livingston agreed to forgive seven months ("February 1, 2020 through August 1, 2020") of service including the cash payments due which were recorded as accounts payable. A gain on debt extinguishment was recognized of \$263,938 related to the principal, premiums and accrued interest during the year ended September 30, 2021. The specific notes forgiven are indicated below.



**BANTEC, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
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Convertible notes were issued to Livingston as follows:

January 1, 2020 - \$17,000 non-convertible note amended to original conversion terms, fully converted;

February 1, 2020 - \$17,000 note and accrued interest forgiven;

March 1, 2020 - \$17,000 note and accrued interest forgiven;

April 1, 2020 - \$17,000 note and accrued interest forgiven;

May 1, 2020, \$17,000 note and accrued interest forgiven;

June 1, 2020 - \$17,000 note and accrued interest forgiven;

July 1, 2020 - \$17,000 note and accrued interest forgiven; and

August 1, 2020 - \$17,000, note and accrued interest forgiven.

Livingston has given the Company forbearance on fees beginning September 1, 2020 through June 1, 2021. Effective July 1, 2021 the agreement was amended changing the advisory fees to \$15,000 due on the first day of each month. Fees are to be paid in the form of a convertible note having a nine month maturity and conversion discount of 50% of the lowest closing bid price during the 30 trading days prior to conversion. The principal balance was \$45,000 and \$193,300 at September 30, 2021 and 2020, respectively. Accrued interest totaled \$752 and \$10,239 at September 30, 2021 and 2020, respectively.

On August 29, 2018 the Company entered into an agreement with a legal firm to provide securities related and other legal services which has no stipulated term. Under the agreement the Company will issue convertible notes with varying principal amounts for services. The first note was issued on August 29, 2018, for \$6,000, interest of 12%, and a maturity date of February 28, 2019. The conversion feature allows for conversion into common shares at the lesser of: a) 70% of the share price on the date of the note; or b) 50% of the lowest bid price during the 30 trading days preceding the date of the notice of conversion. In connection with the issuance of this Note, the Company determined that the terms of the Note contain a conversion formula that caused variations in the conversion price resulting in the treatment of the conversion option as a bifurcated derivative to be accounted for at fair value. Accordingly, under the provisions of FASB ASC Topic No. 815-40, "Derivatives and Hedging – Contracts in an Entity's Own Stock", the embedded conversion option contained in the convertible instruments were accounted for as derivative liabilities at the date of issuance and shall be adjusted to fair value through earnings at each reporting date. The fair values of the embedded conversion option derivatives were determined using the Binomial valuation model. \$10,435 was recognized as derivative liability with \$6,000 charged to debt discount and \$4,035 charged to derivative expense on issuance. The debt discount of \$6,000 was amortized to interest expense to the maturity date of the note. At March 31, 2019 the derivative fair value was determined to have decreased to \$8,881. As the note reached its maturity date no further fair value adjustments will be recorded. For the year ended September 30, 2019, the \$5,000, balance of the debt discount was charged to interest expense and debt discount balances was \$0. During the year ended September 30, 2021 the note principal was fully repaid in cash and the derivative liability was recognized as gain on extinguishment of debt. The following notes have been issued to the law firm, each having six month term to maturity and 12% annual interest but a change in the conversion terms such that a fixed discount of 50% of the lowest bid price in the 30 trading days immediately preceding the notice of conversion. The notes have cross default provisions. The Company has accounted for the convertible promissory notes as stock settled debt under ASC 480 and recorded debt premiums equal to the face value of the notes with a charge to interest expense. The note principal amount was charged to professional fees during the month the note was issued.

April 18, 2019, \$6,000 – in default, sold and assigned to Trillium Partners LP on May 28, 2020 and fully converted as of September 30, 2021;

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**BANTEC, INC. AND SUBSIDIARIES**  
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May 18, 2019, \$6,000 – in default, sold and assigned to Trillium Partners LP on May 28, 2020 and fully converted as of September 30, 2021;

June 18, 2019, \$6,000 – in default, sold and assigned to Trillium Partners LP on May 28, 2020 and fully converted as of September 30, 2021;

July 18, 2019, \$6,000 – assigned to Trillium Partners LP on February 12, 2021 and fully converted as of September 30, 2021;

August 18, 2019, \$6,000 – assigned to Trillium Partners LP on February 12, 2021 and fully converted as of September 30, 2021;

September 18, 2019, \$6,000 – assigned to Trillium Partners LP on February 12, 2021 and fully converted as of September 30, 2021;

October 18, 2019, \$6,000 – assigned to Trillium Partners LP on February 12, 2021 and fully converted as of September 30, 2021;

November 18, 2019, \$6,000 – assigned to Trillium Partners LP on February 12, 2021 and fully converted as of September 30, 2021;

December 18, 2019, \$6,000 – assigned to Trillium Partners LP on February 12, 2021 and fully converted as of September 30, 2021;

January 18, 2020, \$6,000 – assigned to Trillium Partners LP on February 12, 2021 and fully converted as of September 30, 2021;

March 18, 2020, \$6,000 – assigned to Trillium Partners LP on February 12, 2021 and fully converted as of September 30, 2021;

April 18, 2020, \$6,000 – assigned to Trillium Partners LP on February 12, 2021 and fully converted as of September 30, 2021;

May 18, 2020, \$6,000 – assigned to Trillium Partners LP on February 12, 2021 and fully converted as of September 30, 2021;

June 18, 2020, \$6,000 – assigned to Trillium Partners LP on February 12, 2021 and fully converted as of September 30, 2021;

July 18, 2020, \$6,000 – assigned to Trillium Partners LP on February 12, 2021 and fully converted as of September 30, 2021;

August 18, 2020, \$6,000 – principal fully repaid in cash; and



The principal balances owed under the agreement as if September 30, 2021 and 2020 were \$0, and \$108,000 respectively.

It is the Company's intention to pay the monthly fee in cash, therefore it expected that no new notes will be issued in conjunction with the monthly attorney service fees.

On November 13, 2018, the Company issued a convertible promissory note for \$90,000 to a vendor in settlement of approximately \$161,700 of past due amounts due for services. The note bears interest at 5%, matures on June 30, 2019 and is convertible into the Company's common stock at 50% of the lowest closing bid price during the 20 trading days immediately preceding the notice of conversion. The note matured on June 30, 2019, there is no default penalty associated with the note, nor are there any cross-default provisions in the note. The Company has accounted for the convertible promissory note as stock settled debt under ASC 480 and recorded debt premium \$90,000 with a charge to interest expense for the notes. The unconverted principal, premium and accrued interest were \$90,000, \$90,000, and \$14,993 as of September 30, 2020. At September 30, 2021 the principal, premium and accrued interest were \$90,000, \$90,000, and \$25,725.

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**BANTEC, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021 AND 2020**

On November 9, 2017, the Company received a first tranche payment of \$75,500 under the terms of a Securities Purchase Agreement dated October 25, 2017, with Crown Bridge Partners, LLC ("Crown Bridge") under which the Company issued to Crown Bridge a convertible note in the principal amount of \$105,000 and a five-year warrant to purchase 100, shares of the Company's common stock at an exercise price of \$350, as a commitment fee which is equal to the product of one-third of the face value of each tranche divided by \$350. Under the terms of the note Crown Bridge was to receive "right of first refusal" for any subsequent loans or notes to fund the Company. The Company violated this covenant when funding was received from other sources without offering Crown Bridge the opportunity to participate. On December 20, 2017 the Company cured this covenant violation by issuing 200 additional warrants which have the same exercise price and terms of the original warrants. The warrants have full ratchet price protection and cashless exercise rights.

The convertible note (the "Note") issued to Crown Bridge in the principal amount of \$105,000, has an original issue discount of \$10,500 and issue costs of \$19,000 both of which are recorded as debt discount along with the warrant relative fair value of \$12,507 for the original 100, warrants and \$31,529 for the penalty warrants to be amortized over the twelve month term of this tranche, bears interest of 10% (12% default rate) per annum, and has a maturity date of 12 months from the date of each tranche of payments under the Note with future tranches being at the discretion of Crown Bridge. The conversion rate for any conversion of unpaid principal and interest under the Notes is at a 35% discount to the lowest market price of the shares of the Company's common stock within a 20 day trading period prior to the date of conversion to which an additional 10% discount will be added if the conversion price of the Company's common stock is less than \$50, per share and no shares of the Company's common stock can be issued to the extent Crown Bridge would own more than 4.99% of the outstanding shares of the Company's common stock and the conversion shares contain piggy-back registration rights. The Note is subject to customary default provisions including an event of default if the bid price of the Company's common stock is less than its par value of \$.0001 per share. The Company is entitled to prepay the Note between 30 days after its issuance until 180 days from its issuance at amounts that increase from 112% of the prepayment amount to 137% of the prepayment amount depending on the length of time when prepayments are made. The Company has accounted for the convertible promissory note as stock settled debt under ASC 480 and recorded a debt premium of \$56,538 with a charge to interest expense. As of September 30, 2018 the note holder fully converted principal and accrued interest into common shares. The debt premium on stock settled debt was fully recognized as additional paid in capital.

On March 1, 2019, the Company received a second tranche advance under the Crown Bridge Partners, LLC, master note dated October 25, 2017, for principal amount of \$35,000, including covered fees and original issue discount totaling \$5,000. Under the conversion terms of the above note, the holder is entitled to a 35% discount plus an additional 10% discount based on the conversion rights of certain other note holders. Therefore, a discount of 45% is assumed for any conversions of this note tranche. The Company has accounted for the convertible promissory note as stock settled debt under ASC 480 and recorded a debt premium of \$28,636 with a charge to interest expense. The original issue discount and fees charged were treated as debt discount and will be amortized to financing expenses over the term of the note. Following conversions during the year ended September 30, 2020 the principal balance and debt premium balances were reduced and the unamortized debt discount was \$0, at September 30, 2020. The principal was increased by charges of \$17,500 for technical default effective during the year ended September 30, 2020 and an additional put premium was calculated to be \$26,250. The cross-default provisions of the note include defaults on any notes issued to third parties including any issued subsequent to the issuance of this note. The default charge and the put premium were charged to interest expense at June 30, 2020. The conversion discount increased to 60% as a result of the default. The principal and accrued interest were \$2,766 and \$6,464, respectively at September 30, 2021 and \$2,766 and \$6,187 at September 30, 2020.

On March 4, 2019, the Company issued a convertible promissory note to Redstart Holdings Corporation in the amount of \$78,000. The note bears interest at 10%, matures on December 31, 2019, includes legal fees of \$3,000 and is convertible at 35% discount to the average of the lowest two prices observed in the 15 days prior to the issuance of a conversion notice. The Company has accounted for the convertible promissory note as stock settled debt under ASC 480 and recorded debt premium \$42,000 with a charge to interest expense for the notes. The fees charged were treated as debt discount and will be amortized to financing expenses over the term of the note. During the three months ended December 31, 2019, Redstart converted principal totaling \$15,000, into 214,286, shares of common stock. On December 31, 2019, the Company received a default notice and demand for payment of the amounts due under this convertible note. The Company recognized the default penalty of \$31,500, as additional principal along with the calculated put premium of \$22,810, with charges to interest expense. During the year ended September 30, 2020, Redstart converted all principal and accrued interest into shares of common stock. The principal, premium and accrued interest balances were \$0, \$0, and \$0, and debt discount was fully amortized, at September 30, 2020. Principal was \$78,000, accrued interest was \$4,851, and unamortized debt discount was \$912, at September 30, 2019.

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**BANTEC, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021 AND 2020**

On July 12, 2019, the Company issued a convertible promissory note to Trillium Partners LP for cash in the amount of \$10,000. The note bears interest at 10%, matures on January 11, 2020, and was convertible into the Company's common stock at 50% of the lowest closing bid price on the 20 trading days immediately preceding the notice of conversion. The Company accounted for the convertible promissory note as stock settled debt under ASC 480 and recorded debt premium \$10,000 with a charge to interest expense for the notes.

On November 1, 2019, Trillium Partners LP amended the terms of the notes issued July 12, 2019, such that the note is no longer convertible into common stock. The principal balance of \$10,000 was reclassified to notes and loans payable and the related put premium totaling \$10,000 was recognized as a gain on debt extinguishment on the date of the amendment.

The note issued to Trillium Partners LP, on July 12, 2019 was sold and assigned to Alpha Capital Anstalt on February 20, 2020. The assigned note became convertible as of the date of the assignment by virtue of an agreement between the Company and the new note holder. The terms of the note provide for conversion of principal and accrued interest at a 50% discount to the lowest closing bid price over the 20 days prior to conversion. The note matured on January 11, 2020 and therefore the default interest rate is 24%. There are no cross-default provisions in the note. The note has been accounted for as stock settled debt under ASC 480, and put premium of \$10,395 was recognized with a charge to interest expense. The note balance and premium were \$10,745 and \$10,395, at September 30, 2020.

Accrued interest was \$1,854 at September 30, 2020. The note and accrued interest were fully converted during the year ended September 30, 2021. The balance of put premium was reclassified to additional paid in capital upon conversion.

On April 20, 2020, the Company issued a convertible promissory note to Geneva Roth Remark Holdings for \$60,000, for \$57,000, cash and fees of \$3,000 (treated as OID to be amortized over the life of the note) having a 10% annual interest rate, maturity of April 20, 2021, and conversion right to a 42% discount to the lowest traded price in the 20 days prior to delivery of a conversion notice. The cross-default terms in the note only include defaults on notes issued to related parties of the note holder. The Company treated the convertible note in accordance with ASC 480 Stock Settled Debt, and recognized the put premium for the stock price discount as a liability with a charge to interest expense at the date of the issuance of the convertible promissory note. Principal, put premium and accrued interest were \$60,000, \$43,448 and \$2,630, respectively at September 30, 2020. The note and accrued interest were fully converted during the year ended September 30, 2021. \$43,448 of put premium was reclassified to additional paid in capital upon conversion.

On May 14, 2020, the Company issued a convertible promissory note for \$35,000 issued to Tri-Bridge Ventures LLC for a cash loan of \$35,000. The note has a one year maturity, 8% annual interest and can be converted to common stock at the contracted price of 60% of the lowest daily traded price during the 10 days prior to delivery of a conversion notice. There are no cross-default provisions in the note. The Company has treated the convertible note in accordance with ASC 480 Stock Settled Debt, and recognized the put premium for the stock price discount as a liability with a charge to interest expense at the date of the issuance of the convertible promissory note. The principal, put premium and accrued interest were \$35,000, \$23,333 and \$836, respectively at September 30, 2020. The principal and accrued interest was fully converted and balances were \$0, and \$0 respectively at September 30, 2021. \$23,333 of put premium was reclassified to additional paid in capital upon conversion.

On June 9, 2020, the Company issued a convertible promissory note in the amount of \$53,000 to Geneva Roth Remark Holdings Inc. The Company received \$50,000, in cash on June 10, 2020 with \$3,000, being retained for legal and underwriting fees which will be treated as OID and be amortized to interest expense over the term of the note. The note matures on June 10, 2021, bears interest at 10%, with a 22% default interest rate and may be converted at 58% of the lowest closing bid price in the 20 days preceding a conversion. The cross-default terms in the note only include defaults on notes issued to related parties of the note holder. The Company treated the convertible note in accordance with ASC 480 Stock Settled Debt, recognizing \$38,379 of put premium for the stock price discount as a liability with a charge to interest expense at the date of the issuance of the convertible promissory note. The principal and accrued interest balances were, \$53,000 and \$1,597 at September 30, 2020, respectively. The principal and accrued interest was fully converted and balances were \$0, and \$0 respectively at September 30, 2021. \$38,379 of put premium was reclassified to additional paid in capital upon conversion.

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**BANTEC, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021 AND 2020**

On July 10, 2020, the Company issued a convertible promissory note to Geneva Roth Remark Holdings Inc. in the amount of \$53,000. The Company received \$50,000, in cash on July 15, 2020 with \$3,000, being retained for legal and underwriting fees which will be treated as debt discount and be amortized to interest expense over the term of the note. The note matures on July 10, 2021, bears interest at 10%, with a 22% default interest rate and may be converted at 58% of the lowest closing bid price in the 20 days preceding a conversion. The cross-default terms in the note only include defaults on notes issued to related parties of the note holder. The Company treated the convertible note in accordance with ASC 480 Stock Settled Debt, recognizing \$38,379 as put premium for the stock price discount as a liability with a charge to interest expense at the date of the issuance of the convertible promissory note. The principal and accrued interest balances were \$53,000 and \$1,118 respectively at September 30, 2020. The principal and accrued interest was fully converted and balances were \$0, and \$0 respectively at September 30, 2021. \$38,379 of put premium was reclassified to additional paid in capital upon conversion.

On August 28, 2020, the Company issued a convertible promissory note in the amount of \$104,000 to Geneva Roth Remark Holdings Inc. The Company received \$100,500, in cash on August 28, 2020 with \$3,500, being retained for legal and underwriting fees which will be treated as OID and be amortized to interest expense over the term of the note. The note matures on August 28, 2021, bears interest at 10%, with a 22% default interest rate and may be converted at 58% of the lowest closing bid price in the 20 days preceding a conversion. The cross-default terms in the note only include defaults on notes issued to related parties of the note holder. The Company treated the convertible note in accordance with ASC 480 Stock Settled Debt, recognizing \$75,310 of put premium for the stock price discount as a liability with a charge to interest expense at the date of the issuance of the convertible promissory note. The principal and accrued interest balances were \$104,000 and \$826 respectively at September 30, 2020. The principal and accrued interest was fully converted and balances were \$0, and \$0 respectively at September 30, 2021. \$75,310 of put premium was reclassified to additional paid in capital upon conversion.

On November 2, 2020, the Company executed a convertible promissory note issued to Geneva Roth Remark Holdings for \$53,500, having a 10% annual interest rate, with a 22% default interest rate, maturity of November 2, 2021, and conversion right to a 40% discount to the lowest traded price in the 20 days prior to delivery of a conversion notice. The note was funded for \$50,000, with \$3,500, disbursed for legal and execution fees. The cross-default terms in the note only include defaults on notes issued to related parties of the note holder. The Company treated the convertible note in accordance with ASC 480 Stock Settled Debt, recognizing \$35,666 of put premium for the stock price discount as a liability with a charge to interest expense at the date of the issuance of the convertible promissory note. The principal and accrued interest was fully converted and balances were \$0, and \$0 respectively at September 30, 2021. \$35,666 of put premium was reclassified to additional paid in capital upon conversion.

On December 15, 2020, the Company executed a convertible promissory note issued to Geneva Roth Remark Holdings for \$43,500, having a 10% annual interest rate, with a 22% default interest rate, maturity of December 15, 2021, and conversion right to a 40% discount to the lowest traded price in the 20 days prior to delivery of a conversion notice. The note was funded for \$40,000, with \$3,500, disbursed for legal and execution fees. The cross-default terms in the note only include defaults on notes issued to related parties of the note holder. The Company treated the convertible note in accordance with ASC 480 Stock Settled Debt, recognizing \$29,000 of put premium for the stock price discount as a liability with a charge to interest expense at the date of the issuance of the convertible promissory note. The principal and accrued interest was fully converted and balances were \$0, and \$0 respectively at September 30, 2021. \$29,000 of put premium was reclassified to additional paid in capital upon conversion.

On January 12, 2021, the Company executed a convertible promissory note issued to Geneva Roth Remark Holdings for \$53,500, having a 10% annual interest rate, with a 22% default interest rate, maturity of January 12, 2022, and conversion right to a 35% discount to the lowest traded price in the 20 days prior to delivery of a conversion notice. The note was funded for \$50,000, with \$3,500, disbursed for legal and execution fees. The Company will treat the convertible note in accordance with ASC 480 Stock Settled Debt, recognizing \$28,807 of put premium for the stock price discount as a liability with a charge to interest expense at the date of the issuance of the convertible promissory note. The principal and accrued interest of \$53,500 and \$2,675 were fully converted into common stock during the year ended September 30, 2021 and put premium of \$28,807 was reclassified to additional paid in capital.

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**BANTEC, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021 AND 2020**

On February 15, 2021, the Company executed a convertible promissory note issued to Geneva Roth Remark Holdings for \$53,500, having a 10% annual interest rate, with a 22% default interest rate, maturity of February 15, 2022, and conversion right to a 35% discount to the lowest traded price in the 20 days prior to delivery of a conversion notice. The note was funded for \$50,000, with \$3,500, disbursed for legal and execution fees. The cross-default terms in the note only include defaults on notes issued to related parties of the note holder. The Company will treat the convertible note in accordance with ASC 480 Stock Settled Debt, recognizing \$28,807 of

put premium for the stock price discount as a liability with a charge to interest expense at the date of the issuance of the convertible promissory note. The principal and accrued interest of \$53,500 and \$2,675 were fully converted into common stock during the year ended September 30, 2021 and put premium of \$28,807 was reclassified to additional paid in capital.

On March 15, 2021, the Company executed a convertible promissory note issued to Geneva Roth Remark Holdings for \$53,500, having a 10% annual interest rate, with a 22% default interest rate, maturity of March 15, 2022, and conversion right to a 35% discount to the lowest traded price in the 20 days prior to delivery of a conversion notice. The note was funded for \$50,000, with \$3,500, disbursed for legal and execution fees. The cross-default terms in the note only include defaults on notes issued to related parties of the note holder. The Company will treat the convertible note in accordance with ASC 480 Stock Settled Debt, recognizing \$28,807 of put premium for the stock price discount as a liability with a charge to interest expense at the date of the issuance of the convertible promissory note. The principal and accrued interest of \$53,500 and \$2,675 were fully converted into common stock during the year ended September 30, 2021 and put premium of \$28,807 was reclassified to additional paid in capital.

On May 3, 2021, the Company entered into a convertible promissory note with Geneva Roth Remark Holdings, Inc. (“Lender”) in the principal amount of \$58,500, (the “May 3, 2021 Note”). The May 3, 2021 Note carries interest at the rate of 10%, matures on May 3, 2022, and is convertible into shares of the Company’s common stock, par value \$0.0001, at the Lender’s election, after 180 days, at a 35% discount, provided that the Lender may not own greater than 4.99% of the Company’s common stock at any time. The note was funded for \$55,000, with \$3,500, disbursed for legal and execution fees. The Company will treat the convertible note in accordance with ASC 480 Stock Settled Debt, recognizing \$31,500 of put premium for the stock price discount as a liability with a charge to interest expense at the date of the issuance of the convertible promissory note. The principal, premium and accrued interest were \$58,500, \$31,500 and \$2,204 respectively at September 30, 2021

On June 14, 2021, the Company entered into a convertible promissory note with Geneva Roth Remark Holdings, Inc. (“Lender”) in the principal amount of \$58,500, (the “June 14, 2021 Note”). The June 14, 2021 Note carries interest at the rate of 10%, matures on June 14, 2022, and is convertible into shares of the Company’s common stock, par value \$0.0001, at the Lender’s election, after 180 days, at a 35% discount, provided that the Lender may not own greater than 4.99% of the Company’s common stock at any time. The note was funded for \$55,000, with \$3,500, disbursed for legal and execution fees. The Company will treat the convertible note in accordance with ASC 480 Stock Settled Debt, recognizing \$31,500 of put premium for the stock price discount as a liability with a charge to interest expense at the date of the issuance of the convertible promissory note. The principal, premium and accrued interest were \$53,500, \$31,500 and \$1,715 respectively at September 30, 2021.

Under the terms of the July 1, 2021 amendment to the consulting and services agreement with Livingston Asset Management, LLC, Livingston is to receive \$15,000, per month in convertible promissory notes. The Company issued a \$15,000 convertible note bearing interest of 10% per annum which matures in nine months. The notes issued are convertible into shares of common stock at a discount of 50% of the lowest closing bid price during the twenty trading days prior to conversion. The notes having a conversion feature are treated as stock settled debt under ASC 480 and a debt premium of \$15,000 is recognized as interest expense on note issuance date. At September 30, 2021, the accrued interest was \$378.

On July 19, 2021, the Company entered into a convertible promissory note with Geneva Roth Remark Holdings, Inc. (“Lender”) in the principal amount of \$53,750, (the “July 19, 2021 Note”). Note carries interest at the rate of 10%, matures on July 19, 2022, and is convertible into shares of the Company’s common stock, par value \$0.0001, at the Lender’s election, after 180 days, at a 35% discount, provided that the Lender may not own greater than 4.99% of the Company’s common stock at any time. The note was funded for \$50,000, with \$3,750, disbursed for legal and execution fees. The Company treated the convertible note in accordance with ASC 480 Stock Settled Debt, recognizing \$28,942 of put premium for the stock price discount as a liability with a charge to interest expense at the date of the issuance of the convertible promissory note. At September 30, 2021, the accrued interest was \$1,127.

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**BANTEC, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021 AND 2020**

August 1, 2021, the Company issued a \$15,000 convertible promissory note to Livingston. The convertible note bears interest of 10% per annum which matures in nine months. The notes issued are convertible into shares of common stock at a discount of 50% of the lowest closing bid price during the twenty trading days prior to conversion. The notes having a conversion feature are treated as stock settled debt under ASC 480 and a debt premium of \$15,000 is recognized as interest expense on note issuance date. At September 30, 2021, the accrued interest was \$251.

On August 17, 2021, the Company entered into a convertible promissory note with Geneva Roth Remark Holdings, Inc. (“Lender”) in the principal amount of \$45,000, (the “August 17, 2021 Note”). The August 17, 2021 Note carries interest at the rate of 10%, matures on August 17, 2022, and is convertible into shares of the Company’s common stock, par value \$0.0001, at the Lender’s election, after 180 days, at a 35% discount, provided that the Lender may not own greater than 4.99% of the Company’s common stock at any time. The note was funded for \$41,250, with \$3,750, disbursed for legal and execution fees. The Company will treat the convertible note in accordance with ASC 480 Stock Settled Debt, recognizing \$24,231 of put premium for the stock price discount as a liability with a charge to interest expense at the date of the issuance of the convertible promissory note. At September 30, 2021, the accrued interest was \$561.

September 1, 2021, the Company issued a \$15,000 convertible promissory note to Livingston. The convertible note bears interest of 10% per annum and matures in nine months. The notes issued are convertible into shares of common stock at a discount of 50% of the lowest closing bid price during the twenty trading days prior to conversion. The notes having a conversion feature are treated as stock settled debt under ASC 480 and a debt premium of \$15,000 is recognized as interest expense on note issuance date. At September 30, 2021, the accrued interest was \$123.

On September 17, 2021, the Company entered into a convertible promissory note with Geneva Roth Remark Holdings, Inc. (“Lender”) in the principal amount of \$50,000, (the “September 17, 2021 Note”). The September 17, 2021 Note carries interest at the rate of 10%, matures on September 17, 2022, and is convertible into shares of the Company’s common stock, par value \$0.0001, at the Lender’s election, after 180 days, at a 35% discount, provided that the Lender may not own greater than 4.99% of the Company’s common stock at any time. The note was funded for \$46,250, with \$3,750, disbursed for legal and execution fees. The Company treated the convertible note in accordance with ASC 480 Stock Settled Debt, recognizing \$26,923 of put premium for the stock price discount as a liability with a charge to interest expense at the date of the issuance of the convertible promissory note. At September 30, 2021, the accrued interest was \$205.

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**BANTEC, INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2021 AND 2020**

**NOTE 11 - NOTES AND LOANS PAYABLE**

The notes balance consisted of the following at September 30, 2021 and 2020:

	September 30, 2021	September 30, 2020
Principal loans and notes	\$ 519,054	\$ 990,305
Discounts	(45,816)	(87,054)

Total	473,238	903,251
Less Current portion	(170,036)	903,251
Non-current	\$ 303,202	\$ -

On June 1, 2018 the Company entered into a consulting and services arrangement with Livingston Asset Management. The arrangement provides for financial management services including accounting and related periodic reporting among other advisory services. The agreement was amended on July 1, 2019 regard payment terms. Under the amended agreement the Company will issue to Livingston Asset Management Fee Notes having principal of \$17,000, interest of 10% per annum, maturity of six or seven months. The Company will also pay \$3,000 in cash due on the first of each month. Following the assignments during fiscal year 2020, to Alpha Capital Anstalt and TBV LLC, the principal and accrued interest of the promissory notes described below, held by Livingston totaled, \$85,000 and \$6,760, respectively at September 30, 2020.

During the year ended September 30, 2021, the conversion terms associated with the original October, November, December and January notes below were reinstated and the notes and accrued interest of \$7,168, were converted into shares of common stock. The February note was forgiven by Livingston as of September 30, 2021. Following conversions, forgiveness and reclassification, the principal balance was \$0, as of September 30, 2021.

On October 1, 2019, the Company issued a promissory note to Livingston Asset Management LLC, for \$17,000, under the terms of the agreement above. The note is now in default and there are no cross-default provisions in the note. The principal amount was charged to professional fees on the issuance date. The note bears interest at 10% and matures in nine months. At September 30, 2020, accrued interest was \$1,637. Conversion terms of the original note were reinstated and the note and accrued interest of \$1,924 were fully converted into common stock during the year ended September 30, 2021. \$17,000 was charged to loss on debt extinguishment due to reinstatement of conversion feature treated as stock settled debt in accordance with ASC 480.

On November 1, 2019, the Company issued a promissory note to Livingston Asset Management LLC, for \$17,000, under the terms of the agreement above. The note is now in default and there are no cross-default provisions in the note. The principal amount was charged to professional fees on the issuance date. The note bears interest at 10% and matures in nine months. At September 30, 2020, accrued interest was \$1,495. Conversion terms were reinstated and the note and accrued interest of \$1,779 were fully converted into common stock during the year ended September 30, 2021. \$17,000 was charged to loss on debt extinguishment due to reinstatement of conversion feature treated as stock settled debt in accordance with ASC 480.

On December 1, 2019, the Company issued a promissory note to Livingston Asset Management LLC, for \$17,000, under the terms of the agreement above. The note is now in default and there are no cross-default provisions in the note. The principal amount was charged to professional fees on the issuance date. The note bears interest at 10% and matures in six months. At September 30, 2020, accrued interest was \$1,353. Conversion terms were reinstated and the note and accrued interest of \$1,770 were fully converted into common stock during the year ended September 30, 2021. \$17,000 was charged to loss on debt extinguishment due to reinstatement of conversion feature treated as stock settled debt in accordance with ASC 480.

On January 1, 2020, the Company issued a promissory note to Livingston Asset Management LLC, for \$17,000, under the terms of the agreement above. The note is now in default and there are no cross-default provisions in the note. The principal amount was charged to professional fees on the issuance date. The note bears interest at 10% and matures in six months. The note principal balance was \$17,000 at September 30, 2020 and accrued interest was \$1,209. During the year ended September 30, 2021, the principal and accrued interest were fully converted following an amendment to reinstate the original conversion terms.

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**BANTEC, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021 AND 2020**

On February 1, 2020, the Company issued a promissory note to Livingston Asset Management LLC, for \$17,000, under the terms of the agreement above. The note is now in default and there are no cross-default provisions in the note. The principal amount was charged to professional fees on the issuance date. The note bears interest at 10% and matures in nine months. The note principal of \$17,000 and accrued interest of \$1,491 were forgiven at September 30, 2021 and a gain on debt extinguishment was recognized for \$18,491.

On January 28, 2020, the Company's subsidiary Howco entered into a Payment Rights Purchase and Sale Agreement financing with EBF Partners, LLC, (merchant cash advance or "MCA") with a principal amount of \$208,500. Howco received \$147,355, in cash, net of original issue discount of \$58,500, and legal and other fees totaling \$2,645, which was amortized to interest expense over the term of the financing. The CEO is a personal guarantor for the MCA. Howco will make payments each business day by way of an ACH withdrawal of \$1,489, for 140 payments. The loan is secured by receipts from future revenue transactions. The principal balance was fully repaid as of September 30, 2020.

On April 7, 2020, the Company through Howco, entered into a bank loan which is guaranteed by the Small Business Administration under the Paycheck Protection Plan for \$220,710. The loan has a maturity of 24 months and an interest rate of .98%, which starts accruing on April 7, 2020. The loan will be forgiven provided the terms of forgiveness upon submission of a valid application for loan forgiveness when approved by the agent bank. The terms call for Howco to use 75% of the funded amount for payroll costs. Howco has put in place controls designed to ensure compliance with the terms of forgiveness. On January 20, 2021 the Company was notified by its bank that the Small Business Administration authorized full forgiveness of its Paycheck Protection Program Loan in the amount of \$220,710. The forgiveness of debt was recognized as a gain on debt extinguishment for the amount forgiven.

On June 2, 2020, the Company entered into a financing arrangement through its subsidiary Howco with Fora Financial Business Loans, LLC. Howco received \$150,000, net of discounts totaling \$60,000, less legal and underwriting fees of \$3,750 and prior loan payoff amount of \$40,975. A total of \$210,000 was to be paid by direct debit of Howco's bank account of \$854, for 245 daily installments payments. The Company will recognize a principal amount of \$210,000 with debt discounts of \$63,750, and liquidate the principal balance and related discounts from the 2019 financing. The Company's CEO is a personal guarantor on financing facility. At September 30, 2020, the principal balance was \$140,854, with unamortized debt discount of \$28,944, having a net balance of \$111,910. As of December 31, 2020, the principal balance was \$87,927, with unamortized debt discount of \$11,473, having a net balance of \$76,454. The balance of \$75,975 on January 26, 2021 was fully liquidated upon funding of the IOU note discussed below.

On June 17, 2020, the Company through Howco, entered into a loan directly with the Small Business Administration for \$150,000. The loan term is thirty years and begins amortization one year from the date of promissory note to be issued upon funding. Amortization payments are \$731 per month and include interest and principal of 3.75% from the date of funding. The loan is secured by the assets of Howco. As of September 30, 2021 and September 30, 2020, the principal balance is \$150,000. As of September 30, 2021, \$1,588 is classified as current.

On August 25, 2020, the Company entered into a financing arrangement through its subsidiary Howco with IOU Central Inc. Howco received \$199,405 less fees of \$595 and Original Issue Discount of \$22,000 and deferred finance charges of \$47,606, for a total of \$70,201 to be amortized over the term of the note. A total of \$269,606 was to be paid by direct debit of Howco's bank account of \$5,173, for 52 weekly payments and 1 payment of \$620. The Company recognized a principal amount of \$269,606 with debt discounts of \$70,201. The Company's CEO is a personal guarantor on financing facility. At September 30, 2020, the principal balance was \$243,742, with unamortized debt discount of \$58,110 having a net balance of \$185,632. As of December 31, 2020 the principal balance was \$176,495, with unamortized debt discount of \$26,544 having a net balance of \$149,951. The principal balance of \$152,318 on January 26, 2021 was fully liquidated upon funding of the IOU note discussed below.

On September 11, 2020, the Company issued a promissory note in the amount of \$150,000 to Trillium Partners LP and received the full amount of the note in cash. The note includes cross-default provisions. The note matured on June 30, 2021 and bears interest of 2%. The principal balance was \$150,000 at September 30, 2020. During the year ended September 30, 2021 the Company repaid \$70,000 of note principal, and Trillium forgave \$50,000 bringing the balance to \$30,000 with accrued interest of \$2,260. Default was given forbearance on the maturity date. On September 30, 2021, the Company repaid the principal balance and accrued interest.

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On January 26, 2021, the Company entered into a financing arrangement through its subsidiary Howco with IOU Central Inc. Howco received \$121,707, net of discounts totaling \$119,929 fees of \$595 and prior loan payoff amounts of \$75,975 (FORA) and \$152,318 (IOU prior note). A total of \$462,524 will be paid by direct debit of Howco's bank account of \$8,895, for 51 weekly payments and a final payment of \$8,894. The Company recognized a principal amount of \$462,524 with debt discounts of \$119,929, and liquidated the principal balance and related discounts from the FORA and IOU prior notes. The Company's CEO is a personal guarantor on financing facility. As of September 30, 2021, the principal balance is \$140,449, with unamortized debt discount of \$36,142, having a net balance of \$104,307.

On January 29, 2021, the Company issued a promissory note in the amount of \$95,000 to Trillium Partners LP and received cash amounting to \$93,692, and OID of \$1,308. The note includes cross-default provisions. The note matured on July 31, 2021 and bears interest of 2%. The principal balance of \$95,000 and accrued interest of \$790 were forgiven during the year ended September 30, 2021. The Company recognized a gain on debt extinguishment equal to the principal and interest forgiven.

On February 3, 2021, the Company issued a promissory note in the amount of \$75,000 to Trillium Partners LP and received cash amounting to \$73,085, and OID of \$1,915. The note includes cross-default provisions. The note matured on July 31, 2021 and bears interest of 2%. The principal balance of \$75,000 and accrued interest of \$604 were forgiven during the year ended September 30, 2021. The Company recognized a gain on debt extinguishment equal to the principal and interest forgiven.

On March 30, 2021, the Company entered into a financing arrangement through its subsidiary Howco with ODK Capital, LLC. Howco received \$83,000 less fees of \$2,075 and Original Issue Discount of \$29,631 to be amortized over the term of the note. A total of \$112,631 will be paid by direct debit of Howco's bank account of \$2,166, for 52 weekly payments. The Company recognized a principal amount of \$112,631, \$2,075 charged to expense and debt discounts of \$29,631. The Company's CEO is a personal guarantor of the financing facility. As of September 30, 2021 the principal balance is \$56,315, with unamortized debt discount of \$9,674 having a net balance of \$46,641.

In March 2021, the Company through Howco, entered into a bank loan which is guaranteed by the Small Business Administration under the Paycheck Protection Plan for \$154,790. The loan has a maturity of sixty months and an interest rate of .98%. The loan will be forgiven provided the terms of forgiveness upon submission of a valid application for loan forgiveness when approved by the agent bank. The terms call for Howco to use the funds for specified purposes. Howco has put in place controls designed to ensure compliance with the terms of forgiveness. The amount forgiven will be recognized as gain on debt extinguishment when approved. Any amount that is not forgiven is to be paid over the eighteen months following the twelve month deferral period.

During the year ended September 30, 2021, the Company issued seven notes payable totaling \$17,500. The notes were issued for monthly fees (\$2,500) for a service vendor and are issued the first day of the month and each has one year maturity and does not bear interest. The service arrangement was terminated in April 2021.

**NOTE 12 - STOCKHOLDERS' DEFICIT**

**Preferred Stock**

As of September 30, 2021, the Company is authorized to issue 5,000,000 shares of \$0.0001 par value preferred stock, with designations, voting, and other rights and preferences to be determined by the Board of Directors of which 4,999,750 remain available for designation and issuance.

As of September 30, 2021 and September 30, 2020, the Company has designated 250 shares of \$0.0001 par value Series A preferred stock, of which 250 shares are issued and outstanding. These preferred shares have voting rights per shareholder equal to the total number of issued and outstanding shares of common stock divided by 0.99.

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**Common Stock**

On January 30, 2019 the Company's shareholders approved an increase in authorized common stock to 6,000,000,000 from 1,500,000,000, which became effective February 24, 2019. On August 6, 2019, the Company filed amendments with the Secretary of the State of Delaware, amending its articles of incorporation to execute a reverse stock split of 1 share for every 1,000 shares outstanding, and changing its name to Bantec, Inc. The name change and the stock split became effective in February 2020, and the transfer agent adjusted the outstanding shares for the reverse split on February 10, 2020. All share and per share related amounts in the accompanying consolidated financial statements and footnotes have been retroactively adjusted for all periods presented to recognize the reverse split. As of September 30, 2021 and September 30, 2020 there were 2,470,510,585, and 491,032,439, shares outstanding, respectively.

**Stock Incentive Plan**

The Company established its 2016 Stock Incentive Plan (the "Plan") that permits the granting of incentive stock options and other common stock awards. The maximum number of shares available under the Plan is 100,000 shares. The Plan is open to all employees, officers, directors, and non-employees of the Company. Options granted under the Plan will terminate and may no longer be exercised (i) immediately upon termination of an employee or consultant for cause or (ii) one year after termination of employment, but not later than the remaining term of the option. As of September 30, 2021, 82,777 awards remain available for grant under the Plan.

**S-1 Offering and Issuances Under Subscription 2020**

On July 20, 2020, the Company submitted an amendment to its registration statement filed on Form S-1 in response to comments on its original filing on June 8, 2020. The Company requested accelerated status and the registration statement became effective on July 23, 2020. The offering provided for the issuance of up to 1,500,000,000 shares of common stock at a price of \$.00175, under subscriptions. The Company used the proceeds for working capital.

On March 5, 2021, the Company submitted a second registration statement filed on Form S-1. The Company requested accelerated status and the registration statement became effective on March 16, 2021. The offering provides for the issuance of up to 1,250,000,000 shares of common stock at a price of \$.0175, under subscriptions. The Company will use the proceeds for working capital and may seek to expand the business through investment. On June 8, 2021, the offering was withdrawn.

On June 9, 2021, the Company submitted a third registration statement filed on Form S-1. The Company requested accelerated status and the registration statement became effective on June 22, 2021. The offering provides for the issuance of up to 1,500,000,000 shares of common stock at a price of \$.0025, under subscriptions.

The Company will use the proceeds for working capital and may seek to expand the business through investment.

*Subscription Under S-1 2020 Offering*

Between August 5, 2020 and September 30, 2020, Trillium Partners LP was issued 151,221,142 shares of common stock at the offering price for a total of \$264,637, in proceeds to the Company under the S-1 offering by subscription.

Between October 7, 2020 and February 3, 2021, the Company issued 617,162,196 shares of common stock to Trillium Partners LP for \$1,080,032 of cash under the terms of the S-1A offering statement.

*Subscriptions Under March 16, 2021 S-1 Offering*

On June 30, 2021, the Company issued 4,285,714 shares of common stock to Trillium Partners LP for \$75,000 of cash under the terms of the March 16, 2021 S-1 offering statement.

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*Subscriptions Under June 9, 2021 S-1 Offering*

During the year ended September 30, 2021 a total of 771,559,000 shares of common stock were issued under the June 9, 2021 offering for \$1,928,898 in cash as detailed below.

Between June 22, and July 8, 2021 Oscaleta Partners LLC was issued 24,000,000 common shares of stock for \$60,000 of cash under the terms of the June 9, 2021 S-1 offering statement.

Between June 28, and September 30, 2021 Trillium Partners LP was issued 577,559,000 common shares of stock for \$1,443,898 of cash under the terms of the June 9, 2021 S-1 offering statement.

Between July 6, and August 17, 2021 JP Carey was issued 120,000,000 common shares of stock for \$300,000 of cash under the terms of the June 9, 2021 S-1 offering statement.

On September 7, 2021, the Company issued 50,000,000 shares of common stock to Anvil Financial Management for \$125,000 of cash under the terms of the June 9, 2021 S-1 offering statement.

*Common Stock Issued for Employee Compensation*

On October 22, 2020, the Company granted 1,000,000 shares of common stock to an employee, which were valued at \$0.0034, based on the stock price on the date of the grant. The cost of \$3,400 was charged to compensation expense.

On October 22, 2020, the Company granted 5,000,000 shares of common stock to an employee, which were valued at \$0.0034, based on the stock price on the date of the grant. The cost of \$17,000 was charged to compensation expense.

On April 13, 2021, the Company issued 5,000,000 shares of common stock to its then COO, which were valued at \$0.0114, based on the stock price on the date of the grant. The cost of \$57,000 was charged to accrued salary.

*Shares Issued for non-employee Services*

On October 7, 2019, the Company entered into a one-year agreement for professional services for a one-time fee to be paid with 50,000 common shares of restricted stock. The services relate mostly to technology and related internet media and website improvement. The shares were valued at \$.05 per share based on the value of the services to be received for total expense of \$2,500, charged to professional fees.

On October 7, 2019, the Company entered into a one-year agreement for professional services for a one-time fee to be paid with 25,000 common shares of restricted stock the services relate mostly to investor relations through internet media. The shares were valued at \$.10 per share based on the value of the services to be received for total expense of \$2,500, charged to professional fees. An additional 25,000 shares were authorized and issued to the service provider during the three months ended June 30, 2020. The shares were valued at \$108.

On December 31, 2019, the Company approved the issuance of 120,000 restricted common shares to Tysadco Partners for the prior three months investor relation services. The shares were valued at \$12,000, and charged to professional fees.

On December 31, 2019, the Company approved the issuance of 45,000 restricted common shares to an individual for the prior four months of technology support services. The shares were valued at \$4,500, and charged to professional fees.

On February 21, 2020, the Company issued 23,948 shares of common stock to an attorney in settlement of amounts owed of \$456.

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On October 22, 2020, the Company issued 10,000,000 shares of common stock to a consultant for services rendered, which were valued at \$0.0034, based on the stock price on the date of the grant. The cost of \$34,000 was charged to consulting expense.

On April 13, 2021, the Company issued 10,000,000 shares of common stock to a consultant for services, which were valued at \$0.0114, based on the stock price on the date of the grant. The cost of \$114,000 was charged to consulting expense.

*Shares Issued in Potential Settlement of Legal Matter*

On September 30, 2021, the Company issued 36,821,330 common shares to a former officer in potential settlement of a claim for compensation due plus accrued interest. The shares were valued \$119,670, with \$92,723 related to salary due and \$26,947 was charged to interest expense. At September 30, 2021 \$119,670 is recognized as a deferred charge presented as other assets on the balance sheet.



All shares issued to employees and non-employees are valued at the quoted trading prices on the respective grant dates.

*Return and Cancellation of Unsold Shares of Common Stock from 3(a)(10) Arrangement*

Livingston Asset Management returned 194,520 unsold shares of common stock to the Company on November 7, 2019. The transfer agent cancelled the shares.

*Shares Issued for Conversion of Convertible Notes*

In total 336,461,204 shares of common stock were issued upon conversion of convertible notes and accrued interest during the year ended September 30, 2020 as follows:

*Related Party Conversions*

During the year ended September 30, 2020, the Company's CEO was issued a total of 165,000,000 shares of common stock in conversion of \$180,750 of principal on his January 19, 2019, note having an original principal amount of \$200,000 and the note was fully converted;

*Third Party Conversions*

During the year ended September 30, 2020, Alpha Capital Anstalt was issued a total of 400,000 shares of common stock in conversion of assigned notes. The principal and interest converted was \$2,200;

During the year ended September 30, 2020, Crown Bridge Partners was issued a total of 49,505,000 shares of common stock in conversion of their March 1, 2019 note. The principal/default charges and conversion fees totaled \$49,734, and \$4,500, respectively;

During the year ended September 30, 2020, Redstart Holdings Corp. was issued a total of 36,351,653 shares of common stock in conversion of their March 2, 2019 note. The principal/default charges and accrued interest totaled \$109,500, and \$3,900, respectively;

During the year ended September 30, 2020, Tri-Bridge Ventures LLC, was issued a total of 29,001,650 shares of common stock in conversion of their note acquired through assignment. The principal/accrued interest converted totaled \$53,684; and

During the year ended September 30, 2020, Trillium Partners LP was issued a total of 56,202,901 shares of common stock in conversion of their note acquired through assignment. The principal, accrued interest and conversion fees totaled \$52,000, \$13,000 and \$16,105, respectively.

In total 518,649,906 shares of common stock were issued upon conversion of convertible notes and accrued interest during the year ended September 30, 2021 as follows:

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Alpha Capital Anstalt was issued a total of 88,302,923 shares of common stock in conversion of assigned notes. The principal and interest converted was \$111,050 and the assigned notes were fully converted;

Geneva Roth Remark Holdings, Inc. was issued a total of 233,395,889 shares of common stock in conversion of nine notes. The principal and accrued interest converted amounted to \$553,875;

Livingston Asset Management was issued a total of 72,642,483 shares of common stock in conversion of four notes. The principal, accrued interest and conversion fees totaled \$68,000, \$7,168 and \$4,100 respectively;

Tri-Bridge Ventures LLC was issued a total of 29,007,611 shares of common stock in conversion of a note. The principal and accrued interest converted was \$35,000 and \$1,550 respectively; and

Trillium Partners LP was issued a total of 95,301,000 shares of common stock in conversion of assigned notes. The principal/accrued interest and conversion fees totaled \$90,000, and \$16,201, respectively.

Approximately \$630,000 of put premiums (related to the Stock Settled Debt treatment of the conversions listed above) was reclassified to additional paid in capital in fiscal 2021.

Stock Options

The Company recognizes compensation cost for invested stock-based incentive awards on a straight-line basis over the requisite service period.

There were no options granted under the 2016 Stock Incentive Plan for the years ended September 30, 2021 and 2020.

For the year ended September 30, 2021 and 2020, the Company recorded \$82,308 and \$103,793 of compensation and consulting expense related to stock options, respectively. Total unrecognized compensation and consulting expense related to unvested stock options at September 30, 2021 amounted to \$77,303. The weighted average period over which share-based compensation expense related to these options will be recognized is approximately 1 year.

For the years ended September, 2021 and 2020, a summary of the Company's stock options activity is as follows:

	Number of Options	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Term (Years)	Weighted- Average Grant-Date Fair Value	Aggregate Intrinsic Value
Outstanding at September 30, 2019	17,755	220.00	7.18	-	-
Forfeited	-	-	-	-	-
Outstanding at September 30, 2020	17,755	220.00	5.29	-	-
Forfeited	(532)	-	-	-	-
Outstanding at September 30, 2021	17,223	230.00	3.71	-	-
Exercisable at September 30, 2021	15,854	220.00	.57	-	-

All options were issued at an options price equal to the market price of the shares on the date of the grant.

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Warrants

On September 9, 2016, 500 5-year warrants exercisable at \$10, per share were issued as part of the consideration for the Howco acquisition. These warrants were valued at aggregate of \$180,000, and have no intrinsic value. The warrants expired unexercised on September 9, 2021.

On November 9, 2017, the Company received a first tranche payment of \$75,500 under the terms of a Securities Purchase Agreement dated October 25, 2017, with Crown Bridge under which the Company issued to Crown Bridge a convertible note in the principal amount of \$105,000 and a five-year warrant to purchase 100 shares of the Company's common stock at an exercise price of \$350 as a commitment fee which is equal to the product of one-third of the face value of each tranche divided by \$0.35. On December 20, 2017 an additional 200,000 warrants were issued as a penalty and in order to entice Crown Bridge to waive its right of first refusal to provide additional financing under the terms of their convertible note. A debt discount of \$44,036 was recorded for the relative fair market value of the total 300,000 warrants and amortized to interest expense as of September 30, 2018. The warrants have full ratchet price protection and cashless exercise rights (See Note10). The warrant includes an anti-dilution clause that was triggered on June 4, 2018. On June 4, 2018 an unrelated convertible note holder became entitled to convert their note into common shares at a 60% discount to the stock's market price. The anti-dilution provision trigger in the warrant agreement entitled Crown Bridge to exercise its warrants under a formula that increased the number of common shares to 31,250 at a price of \$3.60 per share. Due to the fact that the number of shares and exercise price can change due to market changes in the price of the common stock the Company has concluded to treat the warrants as derivatives and to revalue that derivative at each reporting date. Therefore a derivative liability of \$261,484 with a charge to additional paid in capital was recorded on June 4, 2018. As of September 30, 2021, the warrant was revalued and the warrant holder is entitled to exercise its warrants for 42,777,527 common shares and the related derivative liability is \$125,693.

For the years ended September 30, 2021 and 2020, a summary of the Company's warrant activity is as follows:

	Number of Warrants	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Term (Years)	Weighted- Average Grant-Date Fair Value	Aggregate Intrinsic Value
Outstanding and exercisable at September 30, 2019	1,198,270	\$ 0.40	4.1		\$ 71,867
Anti-dilution adjustment	24,286,214				
Outstanding and exercisable at September 30, 2020	25,484,484	\$ .0019	2.11	\$ -	\$ 71,866
Anti-dilution adjustment	17,293,043				
Outstanding and exercisable at September 30, 2021	42,777,527	\$ .00112	1.11	-	\$ 93,255

**NOTE 13 - DEFINED CONTRIBUTION PLANS**

In August 2016, Bantec established a qualified 401(k) plan with a discretionary employer matching provision. All employees who are at least twenty-one years of age and no minimum service requirement are eligible to participate in the plan. The plan allows participants to defer up to 90% of their annual compensation, up to statutory limits. Employer contributions charged to operations for the years ended September 30, 2021 and 2020, was \$0 and \$0, respectively.

The Company's subsidiary, Howco, is the sponsor of a qualified 401(k) plan with a safe harbor provision. All employees are eligible to enter the plan within one year of the commencement of employment. Employer contributions charged to expense for the years ended September 30, 2021 and 2020, was \$9,704 and \$10,258, respectively.

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**NOTE 14 - RELATED PARTY TRANSACTIONS**

On October 1, 2016, the Company entered into employment agreements with two of its officers. The employment agreement with the Company's President and CEO provides for annual base compensation of \$370,000 for a period of three years, which can, at the Company's election, be paid in cash or Common Stock or deferred if insufficient cash is available, and provides for other benefits, including a discretionary bonus and equity provision for the equivalent of 12 months' base salary, and an additional one-time severance payment of \$2,500,000 upon termination under certain circumstances, as defined in the agreement. On September 16, 2019, this employment agreement was modified to provide an annual salary of \$624,000. The Company recognized expenses of \$624,000 for the years ended September 30, 2021 and 2020 for the CEO's base compensation.

On March 28, 2017, Bantec entered into an at-will employment agreement with Matthew Wiles as General Manager of Howco. Under the terms of the employment agreement, Mr. Wiles' compensation is \$140,000 per annum and he also will be eligible for a bonus of 10% of Howco's gross profits over \$1.25 million to be paid in cash after the annual financial statements have been completed and, if applicable, audited for filing with the SEC. Mr. Wiles will also receive options to acquire 250 shares of Bantec's common stock, vesting over five years in equal amounts on the anniversary date of his Employment Agreement. On September 16, 2019, Mr. Wiles' employment agreement was modified to provide salary of \$275,000, and an annual bonus of 2% of net income. At the Company's discretion, salary and bonus may be paid in cash or stock and payment may be deferred. The difference between the amended agreement and salary paid by Howco is recorded in the accounts of the parent company. \$90,866 and \$135,000 were recognized as expense in the parent company's accounts for years ended September 30, 2021 and 2020, respectively. Mr. Wiles resigned with effective date of June 2, 2021. Under the terms of the employment agreement there is no continuing obligation from either party.

*Shares of Common Stock Issued to CEO*

On April 14, 2020, the Company's CEO was issued 15,000,000 shares of restricted common stock in conversion of \$23,250 in principal on the note issued January 19, 2019 as amended on April 14, 2020 at the contractual price of \$0.0016.

On July 24, 2020, the CEO, was issued 150,000,000, restricted shares of common stock in conversion of \$157,500 of principal and \$5,460 of accrued interest on his January 19, 2019, note having an original principal amount of \$200,000. The shares were priced at \$.00105, in accordance with the conversion terms within the amendment on April 14, 2020. Following the conversion the principal was fully liquidated.

*Shares of Common Stock Issued to Former COO*

On October 22, 2020, the Company granted 5,000,000 shares of common stock to its then COO, which were valued at \$0.0034, based on the stock price on the date of



the grant. The cost of \$17,000 was charged to compensation expense.

On April 13, 2021, the Company issued 5,000,000 shares of common stock to its then COO, which were valued at \$0.0114, based on the stock price on the date of the grant. The cost of \$57,000 was charged to accrued salary.

The Company has certain other promissory notes payable to related parties (see Note 9).

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**NOTE 15 - INCOME TAXES**

The Company recognizes deferred tax assets and liabilities for the tax effects of differences between the financial statement and tax basis of assets and liabilities. A valuation allowance is established to reduce the deferred tax assets if it is more likely than not that a deferred tax asset will not be realized.

As of September 30, 2021, the Company has net operating loss carryforwards of approximately \$14,940,000 to reduce future taxable income. Of the \$14,940,000, approximately \$12,066,000 can be used through 2039, and \$2,874,438 may be carried forward indefinitely. A valuation allowance for the entire amount of deferred tax assets has been established as of September 30, 2021 and 2020.

The provision for (benefit from) income taxes consists of the following:

	<u>Year Ended September 30, 2021</u>	<u>Year Ended September 30, 2020</u>
Current		
Federal	\$ -	\$ -
State	-	-
	<u>-</u>	<u>-</u>
Deferred		
Federal	-	-
State	-	-
	<u>-</u>	<u>-</u>
Total income tax provision (benefit)	<u>\$ -</u>	<u>\$ -</u>

A reconciliation of the provision for income taxes at the federal statutory rates of 21% to the Company's provision for income tax is as follows:

	<u>Year Ended September 30, 2021</u>	<u>Year Ended September 30, 2020</u>
U.S. Federal (tax benefit) provision at statutory rate	\$ (395,235)	\$ (908,947)
State (tax benefit) income taxes, net of federal benefit	(159,035)	(365,743)
Permanent differences	(1,040,685)	719,942
True up	638,984	2,323,938
Change in Federal tax rate	-	-
Changes in valuation allowance	955,971	(1,769,189)
Total	<u>\$ -</u>	<u>\$ -</u>

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Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The following table presents the significant components of the Company's deferred tax assets and liabilities for the periods presented:

	<u>September 30, 2021</u>	<u>September 30, 2020</u>
Deferred Tax Assets		
Stock-based compensation	\$ 872,055	\$ 811,285
Accrued salary - unpaid	826,390	768,803
Net operating losses	4,400,030	3,562,416
Other	-	-
Total deferred tax assets	<u>6,098,475</u>	<u>5,142,504</u>
Valuation allowance	<u>(6,098,475)</u>	<u>(5,142,504)</u>
Net deferred tax assets	<u>-</u>	<u>-</u>
Deferred Tax Liabilities		
Identifiable intangibles - Howco Purchase	-	-
Total deferred tax liabilities	<u>-</u>	<u>-</u>
Net deferred tax	<u>\$ -</u>	<u>\$ -</u>

The Company determines its valuation allowance on deferred tax assets by considering both positive and negative evidence in order to ascertain whether it is more likely than not that deferred tax assets will be realized. Realization of deferred tax assets is dependent upon the generation of future taxable income, if any, the timing and amount of which are uncertain. Due to the history of losses the Company has generated in the past, the Company believes that it is not more likely than not that all of the deferred tax assets in the U.S. can be realized as of September 30, 2021 and 2020, accordingly, the Company has recorded a full valuation allowance on its U.S. deferred tax assets.

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**NOTE 16 - COMMITMENTS AND CONTINGENCIES**

Contingencies

*Legal Matters*

On February 6, 2018 the Company sent a letter to the previous owners of Howco Distributing Co. ("Howco") alleging that they made certain financial misrepresentations under the terms of the Stock Purchase Agreement by which the Company acquired control of Howco during 2016. The Company claimed that the previous owners took excessive amounts of cash from the business prior to the close of the merger. On March 13, 2018 the Company filed a lawsuit against the previous owners by issuing a summons. On April 12, 2018, the Company received the Defendants' answer. On July 22, 2019, the Company sought and was granted a dismissal without prejudice of the lawsuit filed against the previous owners of Howco. The Company and the previous owners are in discussion to settle the matter as of September 30, 2021. An informal oral agreement with the Seller has been made whereby the Company has been paying the previous owners \$3,000 per month since January 2021 in satisfaction of Seller's note payable.

In connection with the merger in fiscal 2016, with Texas Wyoming Drilling, Inc., a vendor has a claim for unpaid bills of approximately \$75,000 against the Company. The Company and its legal counsel believe the Company is not liable for the claim pursuant to its indemnification clause in the merger agreement.

In the suit Drone USA, Inc and Michael Bannon (plaintiffs) vs Dennis Antonelos (former Chief Financial Officer or CFO), currently pending in New York State court, the plaintiffs seek to compel the former CFO to meet his obligations under an agreement guaranteeing payments to another former executive. The former CFO filed a cross-claim against the plaintiffs for past due salary. The employment agreement with the former CFO allowed salary payments to be paid in cash or stock. During the year ended September 30, 2021, the Company issued 36,821,330 shares of its common stock for the past due salary and claims that this payment moots the former CFO's claim for past due salary. The former CFO filed a motion for summary judgement which was denied, then filed an appeal to that order which is now pending. No trial date has been set.

On April 10, 2019, a former service provider filed a complaint with three charges with the Superior Court Judicial District of New Haven, CT seeking payment for professional services. The Company has previously recognized expenses of \$218,637, which remain unpaid in accounts payable. The Company has retained an attorney who is currently working to address the complaint. On August 9, 2019 the Company filed a motion to dismiss the charge of unjust enrichment. The judge granted the Company's motion to dismiss. The Company, through its attorney, is working to negotiate a settlement.

During the year ended September 30, 2019, two vendors (The Equity Group and Toppan Vintage) have asserted claims for past due amounts of approximately \$59,000, arising from services provided. The Company has fully recognized in accounts payable the amounts associated with these claims and expects to resolve the matters to satisfaction of all parties.

On December 30, 2020, a Howco vendor filed a lawsuit seeking payment of past due invoices totaling \$276,430 and finance charges of \$40,212. The Company has recorded the liability for the invoices in the normal course of business. Management at Howco as well as a consultant are in negotiation with the vendor and their legal counsel and expect to settle the matter.

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**BANTEC, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021 AND 2020**

***The Impact of COVID-19***

The Company is a wholesale vendor to the Department of Defense through its wholly owned subsidiary Howco's business has been affected due to the COVID-19 social distancing requirements mandated by the federal, state and local governments where the Company's operations occur. For some businesses, like the Company's, core business cannot always be done through "virtual" means, and even when this is possible, it requires significant capital and time to achieve. During the year ended September 30, 2021 sales and shipments at Howco have continued at a lower rate than during the year ended September 30, 2020. It is anticipated that COVID-19 restrictions had an impact on the Company's operations during the year ended September 30, 2021, however the Company cannot assess the financial impact of the related COVID-19 restrictions as compared to other economic and business factors.

Settlements

On January 29, 2018, the Company entered into a settlement agreement and mutual release with a vendor who had provided public relations and other consulting services whereby the Company shall pay to this vendor an aggregate amount of \$60,000 of which \$30,000 was paid on February 2, 2018. The Company was to have paid ten monthly payments of \$3,000 per month beginning on February 29, 2018. The vendor is to return 400 common shares of the Company's common stock which will be cancelled upon satisfaction of the liability. The liability is recorded at \$21,000 as of September 30, 2021 and 2020. The Company is in discussion with the vendor to address the past due amounts.

On November 13, 2018 the Company and a vendor agreed to settle \$161,700 in past due professional fees for a convertible note in the amount of \$90,000. The note bears interest at 5% and matures in July 2019, and has a fixed discount conversion feature. The note is now past due and remains unconverted at September 30, 2021; however there is no default interest or penalty associated with the default. The difference between the settlement amount and the recorded amount in accounts payable of \$71,700 was recognized as a gain on debt extinguishment upon receipt of the waiver and release from the vendor.

During 2016, Company entered into an employment agreement with the Company's former Chief Strategy Officer which provided for annual base compensation of \$400,000 for a period of three years and provided for other additional benefits as defined in the agreement including a signing bonus of \$100,000 payable during the first year of employment. During November 2018 the Company reached an agreement and executed a related stipulation and payment terms agreement stemming from the legal action by the former Chief Strategy Officer for improper termination. The plaintiff agreed to accept \$600,000 in payments. The first scheduled payment of \$200,000 was made on December 20, 2018 in accordance with the settlement terms. Twelve monthly payments of approximately \$33,333 were due starting on January 15, through December 15, 2019. At December 31, 2019, unpaid balance related to the settlement was \$54,000, which was paid on February 27, 2020, to the US Department of Treasury for withheld taxes along with employer payroll taxes.

As of September 30, 2021, the Company has received demand for payment of past due amounts for services by several consultants and service providers.

**BANTEC, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021 AND 2020**

Commitments

*Lease Obligations*

The Company entered into an agreement with a manufacturer in Pismo Beach, California. The agreement provides for certain services to be provided by the manufacturer as needed by the Company. The agreement has an initial term of three years with one year renewals. In connection with this agreement, the Company has agreed to sublease space based in San Luis Obispo, California from the manufacturer for the purposes of the development and manufacturing of unmanned aerial vehicles. The lease provides for base monthly rent of approximately \$15,000 for the initial term to be increased to \$16,500 per month upon extension. The lease term begins February 1, 2017 and expires January 31, 2019 with the option to extend the term an additional 24 months. However, the Company never took possession of the premises and in July 2017, the Company made a decision to not take possession of the premises. The Company is in default of the rent payments and had received oral demand for payments. As of September 30, 2021, the Company has not made any of the required monthly rent payments in connection with this agreement. During fiscal 2017, the Company had expensed and accrued into accounts payable the remaining amounts due under the term of the lease for a total accrual of \$360,000 pursuant to ASC 420-10-30. This balance remains accrued as of September 30, 2021 and September 30, 2020.

On April 16, 2020 the Company's subsidiary Howco renewed its office and warehouse lease in Vancouver, WA for a term commencing on June 1, 2020 extending through June 1, 2023 at an initial monthly rent of approximately \$5,154. The lease requires monthly payments including base rent plus CAM with annual increases.

The Company recognized a right-of-use asset of and a lease liability of \$156,554, which represents the fair value of the lease payments calculated as present value of the minimum lease payments using a discount rate of 10% on date of the lease renewal in accordance with ASC 842. The asset and liability will be amortized as monthly payments are made and lease expense will be recognized on a straight-line basis over the term of the lease.

Right of use asset (ROU) is summarized below:

	<b>September 30, 2021</b>	<b>September 30, 2020</b>
Operating lease at inception - June 2, 2020	\$ 156,554	\$ 156,554
Less accumulated reduction	(70,807)	(17,778)
<b>Balance ROU asset</b>	<b>\$ 85,747</b>	<b>\$ 138,776</b>

Operating lease liability related to the ROU asset is summarized below:

Operating lease liabilities at inception - June 2, 2020	\$ 156,554	\$ 156,554
Reduction of lease liabilities	(69,564)	(17,383)
<b>Total lease liabilities</b>	<b>\$ 86,990</b>	<b>\$ 139,171</b>
Less: current portion	(52,178)	(52,180)
<b>Lease liabilities, non-current</b>	<b>\$ 34,812</b>	<b>\$ 86,991</b>

Non-cancellable operating lease total future payments are summarized below:

Total minimum operating lease payments	\$ 106,298	\$ 168,483
Less discount to fair value	(19,308)	(29,312)
<b>Total lease liability</b>	<b>\$ 86,990</b>	<b>\$ 139,171</b>

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**BANTEC, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021 AND 2020**

Future minimum lease payments under non-cancellable operating leases at September 30, 2021 are as follows:

<b>Years ending September 30,</b>	<b>Amount</b>
2022	\$ 63,369
2023	42,929
<b>Total minimum non-cancelable operating lease payments</b>	<b>\$ 106,298</b>

For the years ended September 30, 2021 and 2020, rent expense for all leases amounted to \$68,246 and \$67,356, respectively.

In December 2019, the Company relocated its primary office to 195 Paterson Avenue, Little Falls, New Jersey, under a one-year lease with a renewal option having monthly payments of \$500.

*Profit Sharing Plan (for Howco)*

On April 13, 2018, Howco announced to its employees a Company-wide profit sharing program. The employee profit share is equal to their annual salary divided by the Company's total annual payroll and multiplied by 10% of net income for the fiscal year. During the years ended September 30, 2021 and 2020 the employees earned \$0 and \$0, under this plan.

*Notice of Default*

On September 6, 2019, the Company received a notice of default under its senior secured credit facility with TCA, for non-payment of amounts due among other matters. Left uncured the default remedies include seizure of operating assets such as the Company's subsidiary. Additionally, the default may trigger cross default provisions under other agreements with other creditors.

On December 30, 2019, the Company failed to pay the principal and accrued interest on its February 27, 2019, convertible note payable to Redstart Holdings Corp upon its maturity. Legal counsel for the note holder submitted a demand notice for payment for 150% of the remaining principal balance of \$63,000, amounting to \$94,500, plus accrued interest. The Company recorded the default penalty with a charge to interest expense and increased the principal of the note as of December

30, 2019. The Company also recorded the additional put premium of \$22,810, related to the increased principal as interest expense for stock settled debt.

During the year ended September 30, 2020, Crown Bridge Partners notified the Company of a default on their convertible note dated March 1, 2019. The principal was increased by charges of \$17,500 for technical default effective June 30, 2020 and an additional put premium was calculated to be \$26,250.

#### *Directors' & Officers' Insurance Policy Expiration*

On October 11, 2019, the Company's insurance policy covering directors and officers expired and the carrier declined to renew the policy. The Company is working with its broker and other carriers to obtain coverage. This lapse of insurance coverage exposes the Company to the risk associated with its indemnification of its officers against legal actions by third parties as outlined in the officers' employment agreements as amended on September 16, 2019.

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**BANTEC, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021 AND 2020**

#### **NOTE 17 - CONCENTRATIONS**

##### *Concentration of Credit Risk*

The Company maintains its cash in bank and financial institution deposits that at times may exceed federally insured limits of \$250,000. At September 30, 2021, cash in a bank exceeded the federally insured limits by approximately \$55,000. The Company has not experienced any losses in such accounts through September 30, 2021.

##### *Economic Concentrations*

With respect to customer concentration, two customers accounted for approximately 57%, and 23%, of total sales for the year ended September 30, 2021. Two customers accounted for approximately 72% and 11%, of total sales for the period ended September 30, 2020.

With respect to accounts receivable concentration, three customers accounted for approximately 53%, 24%, and 20%, of total accounts receivable at September 30, 2021. Two customers accounted for approximately 75% and 21% of total accounts receivable at September 30, 2020.

With respect to supplier concentration, one supplier accounted for approximately 22% of total purchases for the year ended September 30, 2021. One supplier accounted for approximately 22% each of total purchases for the year ended September 30, 2020.

With respect to accounts payable concentration, three suppliers accounted for approximately 21%, 19%, and 14% of total accounts payable at September 30, 2021. Three suppliers accounted for approximately 14%, 13%, and 10% of total accounts payable at September 30, 2020.

With respect to foreign sales, it totaled approximately \$0 and \$7,180 for the years ended September 30, 2021 and 2020 respectively.

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**BANTEC, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021 AND 2020**

#### **NOTE 18 - SUBSEQUENT EVENTS**

##### *Legal Matters*

##### *New Subsidiary*

On October 28, 2021, the Wyoming Secretary of State approved the application to create Bantec Logistics, LLC which will include a new line of business focused on drone package delivery logistics and other delivery methods.

##### *Shares Issued for Subscription*

Since September 30, 2021, the Company issued 100,000,000 shares of common stock under the June 9, 2021 S-1 offering and received \$250,000.

##### *Shares Issued for Conversions of Convertible Notes*

On November 4, 2021, Geneva Roth Remark Holdings Inc. converted principal of \$58,500 and accrued interest of \$2,925 from its convertible note dated May 3, 2021 into 40,950,000 shares of common stock at contracted prices. Following the conversions, the balance of principal and accrued interest was \$0.

On December 17, 2021, Geneva Roth Remark Holdings Inc. converted principal of \$58,500 and accrued interest of \$2,925 from its convertible note dated June 14, 2021 into 81,900,000 shares of common stock at contracted prices. Following the conversions, the balance of principal and accrued interest was \$0.

##### *Convertible Notes Issued*

On October 1, 2021, the Company issued a convertible promissory note to Livingston Asset Management LLC for \$15,000 in principal for services. The convertible note bears interest of 10% per annum and matures in nine months. The note issued is convertible into shares of common stock at a discount of 50% of the lowest closing bid price during the twenty trading days prior to conversion. The note has a conversion feature and is treated as stock settled debt under ASC 480 and a debt premium of \$15,000 is recognized as interest expense on note issuance date.

On November 1, 2021, the Company issued a convertible promissory note to Livingston Asset Management LLC for \$15,000 in principal for services. The convertible note bears interest of 10% per annum and matures in nine months. The note issued is convertible into shares of common stock at a discount of 50% of the lowest closing bid price during the twenty trading days prior to conversion. The note has a conversion feature and is treated as stock settled debt under ASC 480 and a debt premium of \$15,000 is recognized as interest expense on note issuance date.

On November 12, 2021, the Company executed a convertible promissory note issued to Sixth Street Lending LLC for \$55,000, having a 10% annual interest rate, maturity of November 12, 2022, and conversion right to a 35% discount to the average of the two lowest traded price in the 15 days prior to delivery of a conversion notice. The note was funded for \$51,250, with \$3,750, disbursed for legal and execution fees.

On December 1, 2021, the Company issued a convertible promissory note to Frondeur Partners LLC for \$15,000 in principal for services (service agreement replacing

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## PART II - INFORMATION NOT REQUIRED IN PROSPECTUS

### Item 13. Other Expenses of Issuance and Distribution

The Registrant estimates that expenses in connection with the distribution described in this Registration Statement will be as shown below. All expenses incurred with respect to the distribution will be paid by the Company.

Expense	
Legal fees and expenses:	\$ 20,000
Accounting fees and expenses:	\$ 15,000
Total:	\$ 35,000

### Item 14. Indemnification of Directors and Officers

See the Bylaws of the Company as shown on Exhibit 3.2 herein.

### Agreements

We intend to modify the compensation agreements with selected officers and directors, pursuant to which we will agree, to the maximum extent permitted by law, to defend, indemnify and hold harmless the officers and directors against any costs, losses, claims, suits, proceedings, damages or liabilities to which our officers and directors become subject to which arise out of or are based upon or relate to our officers and directors engagement by the Company.

### Item 15. Recent Sales of Unregistered Securities

Since September 30, 2021, the Company issued the following unregistered securities:

#### Shares Issued for Conversion of Convertible Notes

On November 4, 2021, Geneva Roth Remark Holdings Inc. converted principal of \$58,500 and accrued interest of \$2,925 from its convertible note dated May 3, 2021 into 40,950,000 shares of common stock at contracted prices. Following the conversions, the balance of principal and accrued interest was \$0.

On December 17, 2021, Geneva Roth Remark Holdings Inc. converted principal of \$58,500 and accrued interest of \$2,925 from its convertible note dated June 14, 2021 into 81,900,000 shares of common stock at contracted prices. Following the conversions, the balance of principal and accrued interest was \$0.

On January 20, 2022, Geneva Roth Remark Holdings Inc. converted principal of \$53,750 and accrued interest of \$2,688 from its convertible note dated July 19, 2021 into 78,385,417 shares of common stock at contracted prices. Following the conversions, the balance of principal and accrued interest was \$0.

#### Convertible Notes Issued

On October 1, 2021, the Company issued a convertible promissory note to Livingston Asset Management LLC for \$15,000 in principal for services. The convertible note bears interest of 10% per annum and matures in nine months. The note issued is convertible into shares of common stock at a discount of 50% of the lowest closing bid price during the twenty trading days prior to conversion. The note has a conversion feature and is treated as stock settled debt under ASC 480 and a debt premium of \$15,000 is recognized as interest expense on note issuance date

On November 1, 2021, the Company issued a convertible promissory note to Livingston Asset Management LLC for \$15,000 in principal for services. The convertible note bears interest of 10% per annum and matures in nine months. The note issued is convertible into shares of common stock at a discount of 50% of the lowest closing bid price during the twenty trading days prior to conversion. The note has a conversion feature and is treated as stock settled debt under ASC 480 and a debt premium of \$15,000 is recognized as interest expense on note issuance date

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On November 12, 2021, the Company executed a convertible promissory note issued to Sixth Street Lending LLC for \$55,000, having a 10% annual interest rate, maturity of November 12, 2022, and conversion right to a 35% discount to the average of the lowest traded price in the 15 days prior to delivery of a conversion notice. The note was funded for \$51,250, with \$3,750, disbursed for legal and execution fees.

On December 1, 2021, the Company issued a convertible promissory note to Frondeur Partners LLC for \$15,000 in principal for services (service agreement replacing agreement with Livingston Asset Management LLC). The convertible note bears interest of 10% per annum and matures in nine months. The note issued is convertible into shares of common stock at a discount of 50% of the lowest closing bid price during the twenty trading days prior to conversion. The note has a conversion feature and is treated as stock settled debt under ASC 480 and a debt premium of \$15,000 is recognized as interest expense on note issuance date.

On January 11, 2022, the Company executed a convertible promissory note issued to Sixth Street Lending LLC for \$53,750, having a 10% annual interest rate, maturity of November 12, 2022, and conversion right to a 35% discount to the average of the lowest traded price in the 15 days prior to delivery of a conversion notice. The note was funded for \$50,000, with \$3,750, disbursed for legal and execution fees.

The issuances of the above securities were made in reliance upon exemptions from registration available under Section 3(a)(10) of the Securities Act, among others, as transactions not involving a public offering. This exemption was claimed on the basis that these transactions did not involve any public offering and the purchasers in each offering were accredited or sophisticated and had sufficient access to the kind of information registration would provide. In each case, appropriate investment representations were obtained and certificates representing the securities were issued with restrictive legends.

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### Item 16. Exhibits

The exhibits and financial statement schedules filed as part of this registration statement are as follows:

Exhibit	Description
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3.1	<a href="#">Certificate of Incorporation of Bantec, Inc. (f/k/a Bantek, Inc. and Drone USA, Inc.) (incorporated by reference herein to Exhibit 3.1 to the Company's Form 10 filed with the SEC on May 8, 2017).</a>
3.2	<a href="#">Amended and Restated Bylaws Bantec, Inc. (f/k/a Bantek, Inc. and Drone USA, Inc.) (incorporated by reference herein to Exhibit 3.2 to the Company's Form 10 filed with the SEC on May 8, 2017).</a>
3.3	<a href="#">Certificate of Amendment to the Certificate of Incorporation filed April 27, 2016 (incorporated by reference herein to Exhibit 3.3 to the Company's Form 10 filed with the SEC on May 8, 2017).</a>
4.1	<a href="#">Specimen Stock Certificate evidencing the shares of Common Stock (incorporated by reference herein to Exhibit 4.1 to the Company's Form 10 filed with the SEC on May 8, 2017).</a>
5.1	<a href="#">Opinion of Stout Law Group Regarding Legality of the Securities Being Registered.</a>
10.1	<a href="#">Bantec, Inc. (f/k/a Bantek, Inc. and Drone USA, Inc.) 2016 Stock Incentive Plan (incorporated by reference herein to Exhibit 10.1 to the Company's Form 10 filed with the SEC on May 8, 2017).</a>
10.2	<a href="#">Senior Secured Revolving Credit Facility Agreement (the "Credit Facility") with TCA Global Credit Master Fund, L.P., dated September 13, 2016 (incorporated by reference herein to Exhibit 10.2 to the Company's Form 10 filed with the SEC on May 8, 2017).</a>
10.3	<a href="#">Stock Purchase Agreement among Paul Charles Joy II, Trustee of the Paul C. Joy and Kathryn B. Joy Trust-Fund B, Kathryn Blake Joy, Trustee of the Paul C. Joy and Kathryn B. Joy Trust-Fund C, Howco Distributing Co. and Drone USA, LLC, dated August 4, 2016 (incorporated by reference herein to Exhibit 10.3 to the Company's Form 10 filed with the SEC on May 8, 2017).</a>
10.4	<a href="#">Joint Venture Agreement dated June 1, 2016 between Bantec, Inc. (f/k/a Bantek, Inc. and Drone USA, Inc.) and BRVANT (incorporated by reference herein to Exhibit 10.4 to the Company's Form 10 filed with the SEC on May 8, 2017).</a>
10.5	<a href="#">Howco Lease Agreement dated April 28, 2009., as amended (incorporated by reference herein to Exhibit 10.8 to the Company's Form 10 filed with the SEC on May 8, 2017).</a>
10.6	<a href="#">TCA Engagement Agreement dated March 28, 2017 (incorporated by reference herein to Exhibit 10.9 to the Company's Form 10 filed with the SEC on May 8, 2017).</a>
10.7	<a href="#">Sublease Agreement dated November 17, 2016 Between Empirical Systems Aerospace, Inc. and Bantec, Inc. (f/k/a Bantek, Inc. and Drone USA, Inc.) (incorporated by reference herein to Exhibit 10.12 to the Company's Form 10 filed with the SEC on May 8, 2017).</a>

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<b>Exhibit</b>	<b>Description</b>
10.8	<a href="#">Manufacturing Agreement dated November 2016 between Empirical Systems Aerospace, Inc. and Bantec, Inc. (f/k/a Bantek, Inc. and Drone USA, Inc.) (incorporated by reference herein to Exhibit 10.13 to the Company's Form 10 filed with the SEC on May 8, 2017).</a>
10.9	<a href="#">Employment Agreement dated July 1, 2016 between Michael Bannon and Bantec, Inc. (f/k/a Bantek, Inc. and Drone USA, Inc.) (incorporated by reference herein to Exhibit 10.14 to the Company's Form 10 filed with the SEC on May 8, 2017).</a>
10.10	<a href="#">Employment Agreement dated March 29, 2017 between Matthew Wiles and Howco Distributing Co. (incorporated by reference herein to Exhibit 10.17 to the Company's Form 10 filed with the SEC on May 8, 2017).</a>
10.11	<a href="#">Settlement Agreement dated August 18, 2016 between Rockwell Capital Partners, Inc. and Bantec, Inc. (f/k/a Bantek, Inc. and Drone USA, Inc.) (incorporated by reference herein to Exhibit 10.20 to the Company's Amendment Form 10 filed with the SEC on June 27, 2017).</a>
10.12	<a href="#">Equity Exchange Agreement dated January 26, 2016 between Texas Wyoming Drilling, Inc., Drone USA, LLC, the members of Drone USA, LLC and Margaret Cadena (incorporated by reference herein to Exhibit 10.21 to the Company's Amendment to the Form 10 filed with the SEC on June 27, 2017).</a>
10.13	<a href="#">Agreement dated September 2016 between the Portuguese Government, the National Aviation Authority of Portugal and Aeroportos de Portugal and Bantec, Inc. (f/k/a Bantek, Inc. and Drone USA, Inc.) (incorporated by reference herein to Exhibit 10.22 to the Company's Amendment to the Form 10 filed with the SEC on June 27, 2017).</a>
10.14	<a href="#">Securities Purchase Agreement dated October 25, 2017 between Bantec, Inc. (f/k/a Bantek, Inc. and Drone USA, Inc.) and Crown Bridge Partners, LLC ((incorporated by reference herein to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on November 15, 2017).</a>
10.15	<a href="#">Convertible Promissory Note dated October 25, 2017 Issued by Bantec, Inc. (f/k/a Bantek, Inc. and Drone USA, Inc.) to Crown Bridge Partners, LLC (incorporated by reference herein to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on November 15, 2017).</a>
21.1	<a href="#">Subsidiaries (incorporated by reference herein to Exhibit 21 to the Company's Form 10 filed with the SEC on May 8, 2017).</a>
23.1	<a href="#">Consent of Stout Law Group, P.A. (included in Exhibit 5.1)</a>
23.2	<a href="#">Consent of Salberg &amp; Company, PA</a>

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#### Item 17. Undertakings

The undersigned Registrant hereby undertakes:

- (1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:
  - i. To include any prospectus required by Section 10(a) (3) of the Securities Act;
  - ii. To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the

- iii. To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.
- (2) That, for the purpose of determining any liability under the Securities Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof;
- (3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.
- (4) That, for the purpose of determining liability under the Securities Act of 1933 to any purchaser, each prospectus filed pursuant to Rule 424(b) as part of a registration statement relating to an offering, other than registration statements relying on Rule 430B or other than prospectuses filed in reliance on Rule 430A (§230.430A of this chapter), shall be deemed to be part of and included in the registration statement as of the date it is first used after effectiveness. Provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date of first use.
- (5) For determining liability of the undersigned registrant under the Securities Act to any purchaser in the initial distribution of the securities, the undersigned registrant undertakes that in a primary offering of securities of the undersigned registrant pursuant to this Registration Statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:
  - i. Any preliminary prospectus or prospectus of the undersigned registrant relating to the offering required to be filed pursuant to Rule 424 (Sec. 230-424);
  - ii. Any free writing prospectus relating to the offering prepared by or on behalf of the undersigned registrant or used or referred to by the registrant;
  - iii. The portion of any other free writing prospectus relating to the offering containing material information about the undersigned registrant or its securities provided by or on behalf of the undersigned registrant; and iv. Any other communication that is an offer in the offering made by the undersigned registrant to the purchaser.

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- (6) That, for purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b) (1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.
- (7) That for the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof
- (8) Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the provisions above, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question of whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

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#### SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized in the City of Little Falls, State of New Jersey on January 21, 2022.

**BANTEC, INC.**

Date: January 21, 2022

/s/ Michael Bannon

By: Michael Bannon

Its: Chief Executive Officer; Director

In accordance with the requirements of the Securities Act of 1933, this registration statement was signed by the following persons in the capacities and on the dates stated.

<u>Signature</u>	<u>Capacity in Which Signed</u>	<u>Date</u>
<u>/s/ Michael Bannon</u> Michael Bannon	Chief Executive Officer (Principal Executive Officer Principal Accounting Officer and Director)	January 21, 2022
<u>/s/ Michael Bannon</u> Michael Bannon	Chief Financial Officer (Principal Accounting Officer and Director)	January 21, 2022

II-7

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201 INTERNATIONAL CIRCLE  
SUITE 230  
HUNT VALLEY, MARYLAND 21030

TEL (410) 429-7076  
FAX (888) 907-1740

January 21, 2022

Mr. Michael Bannon  
Chief Executive Officer  
Bantec, Inc.  
195 Paterson Avenue  
Little Falls, NJ 07424

Re: Registration Statement on Form S-1 (the "Registration Statement")

Mr. Bannon:

I have acted as counsel to Bantec, Inc. (the "Company") in connection with its filing with the Securities and Exchange Commission of a Registration Statement on Form S-1 (the "Registration Statement"), pursuant to the Securities Act of 1933, as amended (the "Act"). The Registration Statement relates to the proposed sale of 3,000,000,000 shares held by the Company (the "Shares").

In connection therewith, I have examined and relied upon original, certified, conformed, photostat or other copies of (a) the Articles of Incorporation and Bylaws of the Company; (b) Resolutions of the Board of Directors of the Company; (c) the Registration Statement and the exhibits thereto; and (d) such corporate records of the Company, certificates of public officials, certificates of officers of the Company and other documents, agreements and instruments as I have deemed necessary as a basis for the opinions herein contained. In all such examinations, I have assumed the genuineness of all signatures on original documents, and the conformity to originals or certified documents of all copies submitted to us as conformed, photostat or other copies. In passing upon certain corporate records and documents of the Company, I have necessarily assumed the correctness and completeness of the statements made or included therein by the Company, and I express no opinion thereon.

Based on my examination mentioned above, I am of the opinion that the 3,000,000,000 shares of common stock being offered for sale by the Company, when issued, will be legally issued, fully paid and non-assessable.

I am an attorney admitted to practice in Maryland. I am familiar with the applicable provisions of the Delaware Revised Statutes, the applicable provisions of the Delaware Constitution and reported judicial decisions interpreting these laws, and I have made such inquiries with respect thereto as I consider necessary to render this opinion with respect to a Delaware corporation. This opinion letter is opining upon and is limited to the current federal securities laws of the United States and, Delaware law, including the statutory provisions, all applicable provisions of the Delaware Constitution and reported judicial decisions interpreting those laws, as such laws presently exist and to the facts as they presently exist. I express no opinion with respect to the effect or applicability of the laws of any other jurisdiction.

I hereby consent to the filing of this opinion as an exhibit to the Registration Statement and to the reference to my firm under the caption "Legal Matters" in the prospectus forming a part of the Registration Statement. In giving such consent, I do not thereby admit that I am included within the category of persons whose consent is required under Section 7 of the Act or the rules and regulations promulgated thereunder.

Sincerely,

*/s/ Matheau J. W. Stout*  
\_\_\_\_\_  
Matheau J. W. Stout

EX-23.2 3 ea154291ex23-2\_bantec.htm CONSENT OF SALBERG & COMPANY, PA

**Exhibit 23.2**

Consent of Independent Registered Public Accounting Firm

We hereby consent to the use of our report dated January 7, 2022, on the consolidated financial statements of Bantec, Inc. and Subsidiaries for the years ended September 30, 2021 and 2020, included herein on the registration statement of Bantec, Inc. on Form S-1, and to the reference to our firm under the heading "Experts" in the prospectus.

*/s/ Salberg & Company, P.A.*

SALBERG & COMPANY, P.A.  
Boca Raton, Florida  
January 21, 2022



**SALBERG & COMPANY, P.A.**  
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Certified Public Accountants and Consultants