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

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended March 31, 2022

OR

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

For the transition period from __________________ to __________________

Commission file number 000-55789

**BANTEC, INC.**
(Exact Name of Registrant as Specified in Its Charter)

| **Delaware** | **30-0967943** |
|---|---|
| (State or Other Jurisdiction of Incorporation or Organization) | (I.R.S. Employer Identification No.) |
| **195 Paterson Avenue Little Falls, NJ 07424** | **07424** |
| (Address of Principal Executive Offices) | (Zip Code) |

Registrant's Telephone Number, Including Area Code: **(203) 220-2296**

**N/A**
(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

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

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

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. 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 ☐ | Accelerated filer ☐ |
| Non-accelerated filer ☐ | Smaller reporting company ☒ |
| Emerging growth company ☒ | |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Securities registered pursuant to Section 12(b) of the Act:

| **Title of each class** | **Trading Symbol(s)** | **Name of each exchange on which registered** |
|---|---|---|
| Common | BANT | OTC |

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 3,680,149,911 shares as of May 11, 2022.

**BANTEC, INC.**
**Form 10-Q**
**March 31, 2022**

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## PART I - FINANCIAL INFORMATION

### ITEM 1. FINANCIAL STATEMENTS

### BANTEC, INC. AND SUBSIDIARIES
### CONDENSED CONSOLIDATED BALANCE SHEETS

| | March 31, 2022 (Unaudited) | September 30, 2021 |
|---|---|---|
| ASSETS | | |
| Current Assets | | |
| Cash | $ 387,830 | $ 985,953 |
| Accounts receivable | 169,399 | 128,386 |
| Inventory | 122,229 | 61,837 |
| Prepaid expenses and other current assets | 4,934 | 28,882 |
| Total Current Assets | 684,392 | 1,205,058 |
| Property and equipment, net | 1,461 | 1,461 |
| Patents and other intangibles | 44,650 | 44,650 |
| Right of use lease asset | 59,659 | 85,747 |
| Other assets | 119,670 | 119,670 |
| Total non-current assets | 225,440 | 251,528 |
| Total Assets | $ 909,832 | $ 1,456,586 |
| LIABILITIES AND STOCKHOLDERS' DEFICIT | | |
| Current Liabilities: | | |
| Accounts payable | $ 2,667,745 | $ 2,667,110 |
| Accrued expenses and interest | 4,713,578 | 4,316,258 |
| Convertible notes payable - net of discounts and premiums | 7,460,280 | 7,662,640 |
| Note payable - seller | 855,000 | 873,000 |
| Line of credit - bank | - | 4,885 |
| Current portion notes and loans payable – net of discounts | 35,156 | 170,036 |
| Loan payable, related party | 50,913 | - |
| Settlement payable | 42,850 | 42,850 |
| Lease liability – current portion | 51,178 | 52,178 |
| Derivative liabilities | 113,592 | 125,693 |
| Total Current Liabilities | 15,990,293 | 15,914,650 |
| Long-term Liabilities: | | |
| Notes and loans payable – net of current portion | 287,134 | 303,202 |
| Lease liability, less current portion | 9,810 | 34,812 |
| Total Long-term Liabilities | 296,944 | 338,014 |
| Total Liabilities | 16,287,237 | 16,252,664 |
| Commitments and Contingencies (Note 15) | | |
| Stockholders' Deficit: | | |
| 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 March 31, 2022 and September 30, 2021, respectively | - | - |
| Common stock - $0.0001 par value, 12,000,000,000 shares authorized, 3,471,816,911 and 2,470,510,585 shares issued and outstanding at March 31, 2022 and September 30, 2021, respectively | 347,182 | 247,052 |
| Additional paid-in capital | 18,807,929 | 17,913,710 |
| Accumulated deficit | (34,532,516) | (32,956,840) |
| Total Stockholders' Deficit | (15,377,405) | (14,796,078) |
| Total Liabilities and Stockholders' Deficit | $ 909,832 | $ 1,456,586 |

**BANTEC, INC. AND SUBSIDIARIES**
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**
**(Unaudited)**

| | For the Three Months Ended March 31, 2022 | For the Three Months Ended March 31, 2021 | For the Six Months Ended March 31, 2022 | For the Six Months Ended March 31, 2021 |
|---|---|---|---|---|
| Sales | $ 369,908 | $ 664,896 | $ 772,025 | $ 1,411,904 |
| Cost of Goods Sold | 322,053 | 455,041 | 629,353 | 735,241 |
| Gross Profit | 47,855 | 209,855 | 142,672 | 676,663 |
| Operating Expenses: | | | | |
| Selling, general, and administrative expenses | 547,529 | 698,573 | 1,201,825 | 1,486,879 |
| Depreciation | - | 2,458 | - | 4,916 |
| Total Operating Expenses | 547,529 | 701,031 | 1,201,825 | 1,491,795 |
| Loss from Operations | (499,674) | (491,176) | (1,059,153) | (815,132) |
| Other Income (Expenses): | | | | |
| Gain (loss) on change in fair market value of derivative | 11,424 | 22,480 | 12,101 | (25,160) |
| Other income | - | - | - | - |
| Gains on debt extinguishment, net of prepayment penalty | 75,087 | 572,465 | 75,087 | 1,365,988 |
| Interest and financing costs | (309,541) | (314,115) | (603,711) | (715,136) |
| Total Other Income (Expenses) | (223,030) | 281,190 | (516,523) | 625,692 |
| Net Loss before Provision for Income Tax | $ (722,704) | $ (209,986) | $ (1,575,676) | $ (189,440) |
| Provision for Income tax | - | - | - | - |
| Net Loss | $ (722,704) | $ (209,986) | $ (1,575,676) | $ (189,440) |
| Basic and Diluted Loss Per Share | $ (0.00) | $ (0.00) | $ (0.00) | $ (0.00) |
| Weighted Average Number of Common Shares Outstanding: | | | | |
| Basic and diluted | 3,137,190,619 | 1,400,878,070 | 2,862,173,585 | 1,044,359,997 |



**BANTEC, INC. AND SUBSIDIARIES**
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT**
**FOR THE THREE AND SIX MONTHS ENDED MARCH 31, 2022 AND 2021**
**(UNAUDITED)**

**For the Six Months ended March 31, 2022**

| | Preferred Stock Shares | Preferred Stock Amount | Common Stock Shares | Common Stock Amount | Additional Paid-in Capital | Accumulated Deficit | Total Stockholders' Deficit |
|---|---|---|---|---|---|---|---|
| Balance, September 30, 2021 | 250 | $ - | 2,470,510,585 | $ 247,052 | $ 17,913,710 | $ (32,956,840) | $ (14,796,078) |
| Share-based compensation | - | - | - | - | 69,108 | - | 69,108 |
| Shares issued for cash | - | - | 640,980,000 | 64,098 | 510,491 | - | 574,589 |
| Shares issued for conversion of notes and reclassification of debt premiums | - | - | 360,326,326 | 36,032 | 314,620 | - | 350,652 |
| Net loss for the six months ended March 31, 2022 | - | - | - | - | - | (1,575,676) | (1,575,676) |
| Balance, March 31, 2022 (Unaudited) | 250 | $ - | 3,471,816,911 | $ 347,182 | $ 18,807,929 | $ (34,532,516) | $ (15,377,405) |

**For the Three Months Ended March 31, 2022**

| | Preferred Stock Shares | Preferred Stock Amount | Common Stock Shares | Common Stock Amount | Additional Paid-in Capital | Accumulated Deficit | Total Stockholders' Deficit |
|---|---|---|---|---|---|---|---|
| Balance, December 31, 2021 | 250 | $ - | 2,693,360,585 | $ 269,337 | $ 18,362,209 | $ (33,809,812) | $ (15,178,266) |
| Share-based compensation | - | - | - | - | 34,174 | - | 34,174 |

| | Preferred Stock Shares | Preferred Stock Amount | Common Stock Shares | Common Stock Amount | Additional Paid-in Capital | Accumulated Deficit | Total Stockholders' Deficit |
|---|---|---|---|---|---|---|---|
| Shares issued for cash | - | - | 540,980,000 | 54,098 | 271,491 | - | 324,589 |
| Shares issued for conversion of notes and reclassification of debt premiums | - | - | 237,476,326 | 23,747 | 141,055 | - | 164,802 |
| Net loss for the three months ended March, 2022 | - | - | - | - | - | (722,704) | (722,704) |
| Balance, March 31, 2022 (Unaudited) | 250 | $ - | 3,471,816,911 | $ 347,182 | $ 18,807,929 | $ (34,532,516) | $ (15,377,405) |



**For the Six Months Ended March 31, 2021**

| | Preferred Stock | | Common Stock | | Additional Paid-in Capital | Accumulated Deficit | Total Stockholders' Deficit |
|---|---|---|---|---|---|---|---|
| | Shares | Amount | Shares | Amount | | | |
| Balance, September 30, 2020 | 250 | $ - | 491,032,439 | $ 49,104 | $ 13,080,692 | $ (31,074,769) | $ (17,944,973) |
| Share-based compensation | - | - | - | - | 78,013 | - | 78,013 |
| Shares issued to employees | - | - | 6,000,000 | 600 | 19,800 | - | 20,400 |
| Shares issued for cash | - | - | 621,447,910 | 62,143 | 1,092,889 | - | 1,155,032 |
| Shares issued to non-employees for services | - | - | 10,000,000 | 1,000 | 33,000 | - | 34,000 |
| Shares issued for conversion of notes, fees and including premiums reclassified | - | - | 425,401,805 | 42,541 | 1,055,652 | - | 1,098,193 |
| Net loss for the six months ended March 31, 2021 | - | - | - | - | - | (189,440) | (189,440) |
| Balance, March 31, 2021 (Unaudited) | 250 | $ - | 1,553,882,154 | $ 155,388 | $ 15,360,046 | $ (31,264,209) | $ (15,748,775) |

**For the Three Months Ended March 31, 2021**

| | Preferred Stock | | Common Stock | | Additional Paid-in Capital | Accumulated Deficit | Total Stockholders' Deficit |
|---|---|---|---|---|---|---|---|
| | Shares | Amount | Shares | Amount | | | |
| Balance, December 31, 2020 | 250 | $ - | 1,010,278,196 | $ 101,027 | $ 14,100,595 | $ (31,054,223) | $ (16,852,601) |
| Share-based compensation | - | - | - | - | 38,578 | - | 38,578 |
| Shares issued for cash | - | - | 298,897,714 | 29,890 | 560,681 | - | 590,571 |
| Shares issued for conversion of notes, fees and including premiums reclassified | - | - | 244,706,244 | 24,471 | 660,192 | - | 684,663 |
| Net loss for the three months ended March 31, 2021 | - | - | - | - | - | (209,986) | (209,986) |
| Balance, March 31, 2021 (Unaudited) | 250 | $ - | 1,553,882,154 | $ 155,388 | $ 15,360,046 | $ (31,264,209) | $ (15,748,775) |

See accompanying notes to these condensed consolidated unaudited financial statements.



**BANTEC, INC. AND SUBSIDIARIES**
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(Unaudited)**

| | For the Six Months Ended March 31, 2022 | 2021 |
|---|---|---|
| Cash Flows from Operating Activities: | | |
| Net loss | $ (1,575,676) | $ (189,440) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation | - | 4,916 |
| Amortization of debt discounts | 62,495 | 82,827 |
| Accretion of premium on convertible note | 148,558 | 219,089 |
| Share-based compensation expense | 69,108 | 132,413 |
| Shares issued for conversion fees | - | 6,830 |
| Fee notes issued | 90,000 | 17,500 |
| (Gain) on debt extinguishment | (99,231) | (1,137,694) |
| (Gain) on settlement of accounts payable and accrued expenses | - | (28,294) |
| (Gain) Loss on derivative, change in fair market value | (12,101) | 25,160 |
| Loan fee expenses | - | 2,670 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | (41,013) | 141,847 |
| Inventory | (60,392) | (67,907) |
| Prepaid expenses and other current assets | 23,948 | 27,990 |
| Right of use lease asset | 26,088 | 26,699 |

| | | |
|---|---|---|
| Accounts payable and accrued expenses | 408,993 | 369,873 |
| Right of use lease liability | (26,003) | (26,108) |
| Cash Provided by (Used in) Operating Activities | (985,226) | (591,628) |
| Cash Flows from Financing Activities: | | |
| Proceeds from issuance of shares | 574,589 | 1,155,032 |
| Net proceeds from convertible notes payable | 101,250 | 240,000 |
| Repayments convertible notes | (120,000) | (18,000) |
| Net proceeds from note payable | - | 166,777 |
| Repayments promissory notes | - | (70,000) |
| Net proceeds from note payable, related party | 75,000 | 50,000 |
| Repayment note payable, related party | (24,087) | (28,429) |
| Repayments, Seller's note payable | (18,000) | (9,000) |
| Repayment of line of credit | (4,885) | (3,561) |
| Net proceeds from loan and factoring notes | - | 585,715 |
| Repayment of factoring notes | (196,764) | (464,289) |
| Repayment of convertible notes - related party | - | (945,227) |
| Cash (Used in) Provided by Financing Activities | 387,103 | 659,018 |
| Net (Decrease) Increase in Cash | (598,123) | 67,390 |
| Cash - beginning of period | 985,953 | 164,014 |
| Cash - end of period | $ 387,830 | $ 231,404 |
| Supplemental disclosure of cash flow information: | | |
| Cash paid for: | | |
| Interest | $ - | $ - |
| Taxes | $ - | $ - |
| Supplemental disclosure of noncash financing and investing activities: | | |
| Issuance of common stock for conversion of convertible notes and accrued interest | $ 231,787 | $ 612,468 |
| Reclassification of debt premium upon conversion of convertible debt | $ 118,865 | $ 478,894 |
| Debt discounts recorded | $ 7,500 | $ 162,283 |

See accompanying notes to unaudited condensed consolidated financial statements



**BANTEC, INC. AND SUBSIDIARIES**
**CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**MARCH 31, 2022**
**(Unaudited)**

**NOTE 1 - NATURE OF OPERATIONS**

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 Sanitizing is currently offering Bantec Sanitizing franchises for sale. 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.

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

*Basis of Presentation and Principles of Consolidation*

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

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and the rules and regulations of the Securities and Exchange Commission for interim financial information. Accordingly, certain information and footnote disclosures normally included in financial statements in accordance with GAAP have been omitted. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the six months ended March 31, 2022 are not necessarily indicative of the results that may be expected for the year ending September 30, 2022. The unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements as of and for the year ended September 30, 2021 and footnotes thereto included in the Company's Annual Report on Form 10-K filed with the SEC on January 7, 2022. The consolidated balance sheet as of September 30, 2021 contained herein has been derived from the audited consolidated financial statements as of September 30, 2021 but does not include all disclosures required by GAAP.

*Going Concern*

The accompanying unaudited 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 six months ended March 31, 2022, the Company has incurred a net loss of $1,575,676 and used cash in operations of $985,226. The working capital deficit, stockholders' deficit and accumulated deficit was $15,305,901, $15,377,405 and $34,532,516, respectively, at March 31, 2022. 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 March 31, 2022 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.

*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.

| | At March 31, 2022 | | | At September 30, 2021 | | |
|---|---|---|---|---|---|---|
| **Description** | **Level 1** | **Level 2** | **Level 3** | **Level 1** | **Level 2** | **Level 3** |
| Derivative Liability | - | - | $ 113,592 | - | - | $ 125,693 |

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

| | **Derivative Liabilities** |
|---|---|
| Balance at September 30, 2021 | $ 125,693 |
| Change in fair market value of warrant | (12,101) |
| Balance at March 31, 2022 | $ 113,592 |

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 $113,592 at March 31, 2022.

*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 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.

*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 $0 and $4,916 in six months ended March 31, 2022 and 2021, respectively. No depreciation was recognized during the six months ended March 31, 2022, as the related equipment was depreciated to salvageable value as of September 30, 2021. Management believes that the salvageable value of $1,461 is an adequate representation of the value of the demonstration drones at March 31, 2022.

*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 five years following the commencement of related sales. 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.

During the six months ended March 31, 2022, 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.

The Company began sales of sanitizing products and services during the six months ended March 31, 2022. Revenue for this line of business is recognized upon shipment and delivery of training services (as applicable).

*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.





*Shipping and Handling Costs*

The Company has included freight-out as a component of cost of sales, which amounted to $33,325 and $37,958 for the six months ended March 31, 2022 and 2021, 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".

*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 March 31, 2022, the Company's tax returns for the tax years 2020, 2019 and 2018 remain subject to audit, primarily by the Internal Revenue Service. The income tax returns for the tax year 2021 are on extension and have not yet been filed.

The Company did not have material unrecognized tax benefits as of March 31, 2022 and 2021 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 the provision for income taxes.





*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 is the situation for the six months ending March 31, 2022. As of March 31, 2022, 17,223 options were outstanding of which 15,913 were exercisable, and 239,554,150 warrants were outstanding and exercisable. Additionally, as of March 31, 2022, the outstanding principal balance, including accrued interest of the third-party convertible debt, totaled $8,132,310 and was convertible into 15,486,087,812 shares of common stock. The total potentially dilutive shares calculated is 15,725,659,185. 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, which amounts to approximately 1,688,543,000 common shares. As of March 31, 2022, and 2021, potentially dilutive securities consisted of the following:

| | March 31, 2022 | March 31, 2021 |
|---|---|---|
| Stock options | 17,223 | 17,673 |
| Warrants | 239,554,150 | 11,859,616 |
| Related party convertible debt and accrued interest | - | 40,101,615 |
| Third party convertible debt (including senior debt) | 15,486,087,812 | 880,053,346 |
| Total | 15,725,659,185 | 932,032,250 |

*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 March 31, 2022, the Company did not report any segment information since the Company primarily generates sales from its subsidiary, Howco.

*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.

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 begining 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.

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 March 31, 2022 and September 30, 2021 is as follow:

| | March 31, 2022 | September 30, 2021 |
|---|---|---|
| Accounts receivable | $ 169,399 | $ 128,386 |
| Reserve for doubtful accounts | - | - |
| | $ 169,399 | $ 128,386 |

Bad debt expense was $0 for the six months ended March 31, 2022 and 2021.

**NOTE 4 - INVENTORY**

At March 31, 2022 and September 30, 2021, inventory consists of finished goods and was valued at $122,229 and $61,837, respectively. No inventory reserve was deemed necessary at March 31, 2022 or September 30, 2021.

**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 five fiscal years commencing upon first sale or related contract.

**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 th 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 March 31, 2022 and September 30, 2021 was 7.5% and 7.5%, respectively. As of March 31, 2022 and September 30, 2021, respectively, the balance of the line of credit was $0 and $4,885, with $50,000, available at March 31, 2022.

**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 March 31, 2022 and September 30 2021, 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 March 31, 2022 and September 30, 2021, the principal and accrued interest on this note amounted to $855,000, $375,130 and $873,000, and $340,663, 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 March 31, 2022 and September 30, 2021:

| | March 31, 2022 | September 30, 2021 |
|---|---|---|
| Principal | $ 50,913 | $ - |

| | | |
|---|---|---|
| Premiums | - | - |
| Total | 50,913 | - |
| Current portion, including premiums | (50,913) | - |
| Long term | $ - | $ - |





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.

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.

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.

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.

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.

On January 25, 2022 a promissory note was issued to the CEO by Howco for $75,000 having weekly payments of $3,870 for twenty-five weeks, which include a total of $21,750 of interest. The principal at March 31, 2022 was $50,913 and interest of $10,743, was charged to interest expense.

**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 March 31, 2022 and September 30, 2021:

| | March 31, 2022 | September 30, 2021 |
|---|---|---|
| Principal | $ 6,025,407 | $ 6,167,407 |
| Premiums | 1,440,133 | 1,509,673 |
| Unamortized discounts | (5,260) | (14,440) |
| | $ 7,460,280 | $ 7,662,640 |

For the six months ended March 31, 2022 and 2021, amortization of debt discount on the above convertible notes amounted to $19,516 and $12,929, 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 March 31, 2022, and September 30, 2021, 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 to be 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 March 31, 2022 and September 30, 2021, 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.

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.

At March 31, 2022 and September 30, 2021, the principal of the Note B portion was $5,326,285 and accrued interest was $2,057,980 and $1,738,403 respectively and the Note A principal subject to the 3(a) (10) court order was $421,587. During the six months ended March 31, 2022, 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) (l0) 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 six months ended March 31, 2022, there were no 3(a) (10) issuances. As of March 31, 2022, 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 March 31, 2022 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 March 31, 2022 and September 30, 2021 with $7,021, and $6,273, 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 March 31, 2022, the following notes had been issued, assigned and converted as indicated:





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 at September 30, 2021;

January 1, 2019, $12,500 principal, maturing June 30, 2019 – assigned to Alpha Capital Anstalt and fully converted at September 30, 2021;

February 1, 2019, $12,500 principal, maturing July 31, 2019– assigned to Alpha Capital Anstalt and fully converted at September 30, 2021;

March 1, 2019, $12,500 principal, maturing August 31, 2019– assigned to Alpha Capital Anstalt and fully converted at September 30, 2021;

April 1, 2019, $12,500 principal, maturing September 30, 2019– assigned to Alpha Capital Anstalt and fully converted at September 30, 2021;

May 1, 2019, $12,500 principal, maturing October 31, 2019– assigned to Alpha Capital Anstalt and fully converted at September 30, 2021; and

June 1, 2019, $12,500 principal, maturing November 30, 2019– assigned to Alpha Capital Anstalt and fully converted at September 30, 2021.

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 put 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 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.

Convertible notes were issued to Livingston as follows:

January 1, 2020 - $17,000 non-convertible note amended to original conversion terms, fully converted at September 30, 2021;

February 1, 2020 - $17,000 note and accrued interest forgiven at September 30, 2021;

March 1, 2020 - $17,000 note and accrued interest forgiven at September 30, 2021;

April 1, 2020 - $17,000 note and accrued interest forgiven at September 30, 2021;

May 1, 2020, $17,000 note and accrued interest forgiven at September 30, 2021;

June 1, 2020 - $17,000 note and accrued interest forgiven at September 30, 2021;

July 1, 2020 - $17,000 note and accrued interest forgiven at September 30, 2021; and

August 1, 2020 - $17,000, note and accrued interest forgiven at September 30, 2021.





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 $60,000 and $45,000 at March 31, 2022 and September 30, 2021, respectively. Accrued interest totaled $983 and $752 at March 31, 2022 and September 30, 2021, respectively. See below (March 7, 2022, redemption).

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. On July 1, 2021 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 March 31, 2022 and September 30, 2021, the accrued interest was $0 and $378, respectively. See below (March 7, 2022, redemption).

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 March 31, 2022 and September 30, 2021, the accrued interest was $0 and $251, respectively. See below (March 7, 2022, redemption).

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 March 31, 2022 and September 30, 2021, the accrued interest was $0 and $123, respectively. See below (March 7, 2022, redemption).

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. At March 31, 2022 the accrued interest was $314. See below (March 7, 2022, redemption).

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. At March 31, 2022 the accrued interest was $0. See below (March 7, 2022, redemption).

On March 7, 2022, the Company redeemed five fee notes issued to Livingston Asset Management LLC (July 1, through November 1, 2021 notes above) for $85,000 cash. Principal, penalty and accrued interest of $75,000, $7,612 and $2,388 was recognized along with gain on debt extinguishment of $67,388 during the six months ended March 31, 2022. The penalty was recorded against the gain.

On December 1, 2021, the Company terminated its agreement with Livingston Asset Management entered into a consulting and services arrangement with Frondeur Partners LLC 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 Frondeur Partners LLC convertible fee notes having principal of $15,000, interest of 10% per annum, maturity of nine months. The notes are convertible into common shares at a discount of 50% to the lowest bid price in the twenty trading days immediately preceding the notice of conversion. The notes will be charged to professional fees for each corresponding service month

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. At March 31, 2022 the accrued interest was $427.

On January 1, 2022, 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. At March 31, 2022 the accrued interest was $306.

On February 1, 2022, 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. At March 31, 2022 the accrued interest was $185.





On March 1, 2022, 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. At March 31, 2022 the accrued interest was $64.

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;

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 at September 30, 2021 ; and

September 18, 2020, $6,000– principal fully repaid in cash at September 30, 2021.

The principal balances owed under the agreement as if March 31, 2022 and September 30, 2021 were $0, and $0 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 $25,725 as of September 30, 2021. At March 31, 2022 the principal, premium and accrued interest were $90,000, $90,000, and $31,169.

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 $6,603 at March 31, 2022.

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.

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.

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. The principal and accrued interest of $58,500 and $2,925 were fully converted into common stock during the three months ended December 31, 2021 and put premium of $31,500 was reclassified to additional paid in capital.





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. The principal and accrued interest of $58,500 and $2,925 were fully converted into common stock during the three months ended December 31, 2021 and put premium of $31,500 was reclassified to additional paid in capital.

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 December 31, and September 30, 2021, the accrued interest was $2,481 and $1,127, respectively. On January 21, 2022, the note was fully converted along with $2,688 of accrued interest and OID of $3,000 was recognized as interest expense and put premiums of $28,942 was reclassified to additional paid in capital.

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 December 31, and September 30, 2021, the accrued interest was $1,695 and $561, respectively. On February 11, 2022, the Company redeemed the note for $63,746 in cash, for the principal of $45,000, penalties of $17,533 and accrued interest of $2,213, OID of $3,298 was recognized as interest expense and a gain on debt settlement of $7,698 was recognized. The penalty was recorded against the gain.

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 December 31, and September 30, 2021, the accrued interest was $1,466 and $205, respectively. On March 25, 2022, the note was fully converted along with $2,500 of accrued interest and OID of $3,616 was recognized as interest expense and put premiums of $26,923 was reclassified to additional paid in capital.

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 Company treated the convertible note in accordance with ASC 480 Stock Settled Debt, recognizing $29,615 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 note was funded for $51,250, with $3,750, disbursed for legal and execution fees. At March 31, 2022, the accrued interest was $2,049.

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 January 11, 2023, 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 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. The note was funded for $50,000, with $3,750, disbursed for legal and execution fees. At March 31, 2022, the accrued interest was $1,097.

**NOTE 11 - NOTES AND LOANS PAYABLE**

The notes balance consisted of the following at March 31, 2022 and September 30, 2021:

| | | March 31, 2022 | | September 30, 2021 |
|---|---|---|---|---|
| Principal loans and notes | $ | 322,290 | $ | 519,054 |
| Discounts | | - | | (45,816) |
| Total | | 322,290 | | 473,238 |
| Less Current portion | | (35,156) | | (170,036) |
| Non-current | $ | 287,134 | $ | 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.

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 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 March 31, 2022 and September 30, 2021, the principal balance is $150,000. As of March 31, 2022, $17,656 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.

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. As of March 31, 2022, the principal balance is $0, and the debt discount was fully amortized.

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. As of March 31, 2022, the principal balance is $0, and the debt discount was fully amortized.

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 (classified as current liability). 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 March 31, 2022, 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 March 31, 2022 and September 30, 2021, 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.





Common Stock

On February 14, 2022 the Company's shareholders approved an increase in authorized common stock to 12,000,000,000 from 6,000,000,000, which became effective the same day. 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 March 31, 2022 and September 30, 2021 there were 3,471,816,911, and 2,470,510,585, 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 March 31, 2022, 82,777 awards remain available for grant under the Plan.

*Offering Under S 1*

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.

*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.

*Offering Under S-1*

On January 20, 2022, the Company filed a Post-Effective Amendment to its Form S-1 filed on June 9, 2021, deregistering all unissued shares of common stock from that offering.

On January 21, 2022, the Company submitted a final registration statement filed on Form S-1. The Company requested accelerated status and the registration statement became effective on January 24, 2022. The offering provides for the issuance of up to 1,800,000,000 shares of common stock at a price of $.0006, under subscriptions. The Company will use the proceeds for working capital and may seek to expand the business through investment. On February 1, 2022 the Form S-1 offering was made effective on February 2, 2022.

Since February 2, 2022, Trillium Partners LP subscribed to 540,980,000 shares of common stock under the new S-1 for a cash payment of $324,589.





*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.

On January 21, 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.

On March 22 and 25, 2022, Geneva Roth Remark Holdings Inc. converted principal of $50,000 and accrued interest of $2,500 from its convertible note dated September 17, 2021 into 159,090,909 shares of common stock at contracted prices. Following the conversions, the balance of principal and accrued interest was $0.

Stock Options

The Company recognizes compensation cost for unvested 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 six months ended March 31, 2022.

For the six months ended March 31, 2022 and 2021, the Company recorded $69,108 and $78,013 of compensation and consulting expense related to stock options, respectively. Total unrecognized compensation and consulting expense related to unvested stock options at March 31, 2022 amounted to $8,195. The weighted average period over which share-based compensation expense related to these options will be recognized is less than one months.

For the six months ended March 31, 2022 and the year ended September 30, 2021, 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) | Aggregate Intrinsic Value |
|---|---|---|---|---|
| Outstanding at September 30, 2020 | 17,755 | $ 220.00 | 5.29 | $ - |
| Forfeited | (532) | | | |
| Outstanding at September 30, 2021 | 17,223 | $ 230.00 | 3.71 | - |
| Outstanding at March 31, 2022 | 17,223 | $ 230.00 | | |
| Exercisable at March 31, 2022 | 15,913 | $ 220.00 | .00 | $ - |

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

Warrants

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 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 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 March 31, 2022, the warrant was revalued and the warrant holder is entitled to exercise its warrants for 239,554,150 common shares and the related derivative liability is $113,592.

**BANTEC, INC. AND SUBSIDIARIES**
**CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**MARCH 31, 2022**
**(Unaudited)**

For the six months ended March 31, 2022 and year ended 2021, a summary of the Company's warrant activity is as follows:

| | Number of Warrants | | Weighted-Average Exercise Price | Weighted-Average Remaining Contractual Term (Years) | | Aggregate Intrinsic Value |
|---|---|---|---|---|---|---|
| Outstanding and exercisable at September 30, 2020 | 25,484,484 | $ | 0.0019 | 2.11 | $ | 71,866 |
| Anti-dilution adjustment | 17,293,043 | | | | | |
| Outstanding and exercisable at September 30, 2021 | 42,777,527 | $ | 0.00112 | 1.11 | $ | 93,255 |
| Anti-dilution adjustment | 196,776,623 | | | | | |
| Outstanding and exercisable at March 31, 2022 | 239,554,150 | $ | 0.0002 | .61 | $ | 77,855 |

**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 six months ended March 31, 2022 and 2021, 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 six months ended March 31, 2022 and 2021, was $3,517 and $4,882, respectively.

**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 $312,000 for the six months ended March 31, 2022 and 2021 for the CEO's base compensation.

On January 25, 2022 a promissory note was issued to the CEO by Howco for $75,000 having weekly payments of $3,870 for twenty-five weeks, which include a total of $21,750 of interest. The principal at March 31, 2022 was $50,913 and interest of $10,743, was changed to interest expense.

**NOTE 15 - 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 March 31, 2022. 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 the former Chief Financial Officer (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 will be the subject of a hearing scheduled for June 24, 2022.



**BANTEC, INC. AND SUBSIDIARIES**
**CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**
**MARCH 31, 2022**
**(Unaudited)**

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.

***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 six months ended March 31, 2022 sales and shipments at Howco have continued at a lower rate than during the six months ended March 31, 2021. It is expected that COVID-19 restrictions had an impact on the Company's operations during the six months ended March 31, 2022, 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 March 31, 2022 and September 30, 2021. 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 March 31, 2022; 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.

As of March 31, 2022, the Company has received demand for payment of past due amounts for services by several consultants and service providers.

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 March 31, 2022, 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 March 31, 2022 and September 30, 2021.

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:

| | March 31, 2022 | September 30, 2021 |
|---|---|---|
| Operating lease at inception - June 2, 2020 | $ 156,554 | $ 156,554 |
| Less accumulated reduction | (98,895) | (70,807) |
| Balance ROU asset | $ 59,659 | $ 85,747 |

Operating lease liability related to the ROU asset is summarized below:

| | March 31, 2022 | September 30, 2021 |
|---|---|---|
| Operating lease liabilities at inception - June 2, 2020 | $ 156,554 | $ 156,554 |
| Reduction of lease liabilities | (95,566) | (69,564) |
| Total lease liabilities | $ 60,988 | $ 86,990 |
| Less: current portion | (51,178) | (52,178) |
| Lease liabilities, non-current | $ 9,810 | $ 34,812 |

Non-cancellable operating lease total future payments are summarized below:

| | March 31, 2022 | September 30, 2021 |
|---|---|---|
| Total minimum operating lease payments | $ 74,869 | $ 106,298 |
| Less discount to fair value | (13,881) | (19,308) |
| Total lease liability | $ 60,988 | $ 86,990 |

Future minimum lease payments under non-cancellable operating leases at March 31, 2022 are as follows:

| Years ending September 30, | Amount |
|---|---|
| 2022 | $ 31,940 |
| 2023 | 42,929 |

| | | |
|---|---|---|
| Total minimum non-cancelable operating lease payments | $ | 74,869 |

For the six months ended March 31, 2022 and 2021, rent expense for all leases amounted to $34,643 and $30,924, 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. Following the renew the monthly payments is $600. The Company added an office for Bantec Logistics, LLC on January 11, 2022, which has a monthly payment of $100.

*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 six months ended March 31, 2022 and 2021 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.

*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.





**NOTE 16 - 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 March 31, 2022, cash in a bank did not exceed the federally insured limits. The Company has not experienced any losses in such accounts through March 31, 2022.

*Economic Concentrations*

With respect to customer concentration, one customer accounted for approximately 78% of total sales for the six months ended March 31, 2022. Two customers accounted for approximately 45% and 38% of total sales for the six months ended March 31, 2021.

With respect to accounts receivable concentration, one customer accounted for 88% of total accounts receivable at March 31, 2022. Three customers accounted for approximately 53%, 24% and 20% of total accounts receivable at September 30, 2021.

With respect to supplier concentration, one supplier accounted for approximately 26% of total purchases for the six months ended March 31, 2022. Three suppliers accounted for approximately 23%, 12%, and 11% of total purchases for the six months ended March 31, 2021.

With respect to accounts payable concentration, three suppliers accounted for approximately 22%, 20% and 15% of total accounts payable at March 31, 2022. Three suppliers accounted for approximately 21%, 19% and 14% of total accounts payable at September 30, 2021.

Foreign sales were $0 for the six months ended March 31, 2022 and 2021.

**NOTE 17 - SUBSEQUENT EVENTS**

*Offering Under S-1*

On April 7, 2022, Trillium Partners LP subscribed to 208,333,000 shares of common stock under the S-1 for a cash payment of $125,000.

*Related Party Notes*

On April 25, 2022, President and CEO, Michael Bannon (personal capacity) and Howco entered into a loan agreement. Under the terms of the agreement the principal balance was stated to be $50,000, having 50 weekly payments of $1,570, for a total principal and interest payments of $78,500.

On May 6, 2022, President and CEO, Michael Bannon (personal capacity) and Howco amended his January 25, 2022 note to extend the terms. Upon amendment the principal balance was restated to be $50,310, having 46 weekly payments of $1,680 and 1 payment of $1,030, for a total principal and interest payments of $78,310.

*Convertible Notes Issued*

On April 1, 2022, the Company issued a convertible promissory note to Frondeur Partners 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 May 1, 2022, the Company issued a convertible promissory note to Frondeur Partners 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.

## ITEM 2. 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 quarterly report on Form 10-Q 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 quarterly report on Form 10-Q 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 in the "Risk Factors" section of 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 condensed consolidated financial statements and the related notes that appear elsewhere in this quarterly report on Form 10-Q.

**Overview**

Bantec, Inc. is a distributor, construction, environmental and drone company. Through Howco Distributing Co, Bantec provides product procurement, distribution, and logistics services, 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. The Company has operations based in Little Falls, New Jersey and Vancouver, Washington. The Company continues to seek strategic acquisitions and partnerships with distributor, construction, environmental and drone firms that offer growth opportunities in well established markets, as well as acquisitions and partnerships with firms that have complementary technologies, services, products and infrastructure.

**Liquidity and Capital Resources**

As of March 31, 2022 we had $684,392 in current assets, including $387,830 in cash, compared to $1,205,058 in current assets, including $985,953 in cash, at September 30, 2021. Current liabilities at March 31, 2022, totaled $15,990,293 compared to $15,914,650, at September 30, 2021. The decrease in current assets from September 30, 2021 to March 31, 2022 is primarily due to decreases in: cash of $598,123, and prepaid expenses $23,948, partially offset by increases of approximately $41,000 and $60,000 in accounts receivable and inventory, respectively. The increase in current liabilities from September 30, 2021 to March 31, 2022, of approximately $76,000, is primarily due to the increases in accrued expenses of approximately $397,000. While we have revenues from UAV sales as of this date, no significant UAV revenues are anticipated until we have implemented our full plan of operations, specifically, initiating sales campaigns for our UAV internet and social media platforms. 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 are currently in discussion to undertake a second S1 offering.

We anticipate our short-term liquidity needs to be approximately $5,000,000 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:

| | Six Months Ended March 31, 2022 | | Six Months Ended March 31, 2021 | |
|---|---|---|---|---|
| Net Cash Provided by (Used in) Operating Activities | $ | (985,226) | $ | (591,628) |
| Net Cash Used in Investing | | - | | - |
| Net Cash Provided by (Used in) Financing Activities | $ | 387,103 | $ | 659,018 |
| Net Increase (Decrease) in Cash | $ | (598,123) | $ | 67,390 |

2022, Net cash used in operating activities of $985,226, is largely the result of net losses of $1,575,676, partially offset by non-cash charges for premiums on stock settled debt, debt discount amortization, non-cash charges for services and increases to accrued expenses.

2022, Cash provided by financing activities of $387,103 is largely the result of stock sales for cash of $574,589 and cash received from issuance of convertible notes totaling $101,250, somewhat offset by repayments of various debts including bank loan and other financing arrangements at Howco.

Refer also to the Consolidated Statements of Cash Flows included in the financial statement section of this report.

**Results of Operations**

Three months Ended March 31, 2022 and 2021

We generated sales of $369,908 and $664,896 for the three months ended March 31, 2022 and 2021, respectively, a decrease of $294,988, or 44%. For the three months ended March 31, 2022 and 2021, we reported cost of goods sold of $322,053 and $455,041, respectively, a decrease of $132,988, or 29%. The decrease in sales and cost of goods sold for the 2022 period as compared to the 2021 period is due to lower sales in current period due to liquidity issues and to lesser extent by our efforts to increase gross margins by reducing sales of lower margin products. While management's focus on increasing gross margins has impacted sales levels, we believe that the Company is situated to capture greater sales without incurring significant fixed costs through three initiatives. Gross margins were 13% and 32% for the three months ended March 31, 2022 and 2021, respectively. Efforts are underway to market an expanded suite of Howco product lines on the east coast. We are expanding product offerings with high tech tactical gear to regular federal government entities (Howco lines of business), adding the high-tech tactical gear to our traditional drone assemblies along with newer more rapidly deployed drones focused on municipalities and lastly, we are adding construction contracting and sanitizing services.

For the three months ended March 31, 2022 and 2021, we reported selling, general, and administrative expenses of $547,529 as compared to $698,573, a decrease of approximately $151,000, or 22%. For the three months ended March 31, 2022 and 2021, selling, general, and administrative expenses consisted of the following:

| | For the Three Months ended March 31, 2022 | For the Three Months ended March 31, 2021 |
|---|---|---|
| Compensation and related benefits | $ 321,580 | $ 434,715 |
| Professional fees | 187,003 | 196,802 |
| Other selling, general and administrative expenses | 38,946 | 67,056 |
| Total selling, general and administrative expenses | $ 547,529 | $ 698,573 |

The decrease in selling, general, and administrative costs for the 2022 period as compared to the 2021 period was due to the decrease in compensation, professional fees and in other selling, general and administrative costs stemming from lower levels of management and staff at Howco and general decreased operations (also at Howco).

For the three months ended March 31, 2022 and 2021, depreciation expense amounted to $0 and $2,458, respectively, and related to the depreciation of demonstration drones in the 2021 period. The demonstration drones were fully depreciated as of September 30, 2021.

For the three months ended March 31, 2022 and 2021, other income (expense) amounted to ($223,030) and $281,190, respectively, a decrease of approximately $504,000. The decrease was attributable gains on debt extinguishment of $75,087 and fair market value changes of derivative liabilities of $11,424 for the current period compared to $572,465 gains on debt extinguishment and fair market value changes of derivative liabilities of $22,840 from the 2021 period costs.

As a result, we reported net losses of $722,704, or $0.00 per common share, and $209,986, or $0.00 per common share, for the three months ended March 31, 2022 and 2021, respectively.



Six months Ended March 31, 2022 and 2021

We generated sales of $772,025 and $1,411,904 for the six months ended March 31, 2022 and 2021, respectively, a decrease of approximately $640,000, or 45%. For the six months ended March 31, 2022 and 2021, we reported cost of goods sold of $629,353 and $735,241, respectively, a decrease of approximately $106,000, or 14%. The decrease in sales and cost of goods sold for the 2022 period as compared to the 2021 period is due to liquidity issues and ceasing our sales of certain products from certain vendors. While management's focus on increasing gross margins has impacted sales levels, we believe that the Company is situated to recapture sales without incurring significant fixed costs through three initiatives. Gross margins were 18% and 48% for the six months ended March 31, 2022 and 2021, respectively. Efforts are underway to market an expanded suite of Howco product lines on the east coast. We are expanding product offerings with high tech tactical gear to regular federal government entities (Howco lines of business), adding the high tech tactical gear to our traditional drone assemblies along with newer more rapidly deployed drones focused on municipalities and lastly we are adding construction contracting.

For the six months ended March 31, 2022 and 2021, we reported selling, general, and administrative expenses of $1,201,825 as compared to $1,486,879, a decrease of approximately $285,000, or 19%. For the six months ended March 31, 2022 and 2021, selling, general, and administrative expenses consisted of the following:

| | For the Six Months ended March 31, 2022 | For the Six Months ended March 31, 2021 |
|---|---|---|
| Compensation and related benefits | $ 640,420 | $ 917,345 |
| Professional fees | 459,543 | 435,906 |
| Other selling, general and administrative expenses | 101,862 | 133,628 |
| Total selling, general and administrative expenses | $ 1,201,825 | $ 1,486,879 |

The decrease in selling, general, and administrative costs for the 2022 period as compared to the 2021 period was due to decreases: in compensation of approximately $278,000 or 30% and other selling, general and administrative expenses of approximately $33,000 or 24%, slightly offset by the increase of approximately $24,000 or 5% in professional fees.

For the six months ended March 31, 2022 and 2021, depreciation expense amounted to $0 and $4,916, respectively, and related to the depreciation of demonstration drones in the 2021 period. The demonstration drones were fully depreciated as of September 30, 2021.

For the six months ended March 31, 2022 and 2021, other income (expense) amounted to ($516,523) and $625,692, respectively, a decrease of approximately $1,142,000. The decrease was attributable to gains recognized on debt and other liability extinguishment of $75,087 in the current period, compared to $1,365,988 the prior year period.

As a result, we reported a net loss of $1,575,676 or $0.00 per common share, and $189,440 or $0.00 per common share, for the six months ended March 31, 2022 and 2021, respectively.

**Going Concern**

The accompanying unaudited 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 six months ended March 31, 2022, the Company has incurred a net loss of $1,575,676 and used cash in operations of $985,226. The working capital deficit, stockholders' deficit and accumulated deficit was $15,305,901, $15,377,405 and $34,532,516, respectively, at March 31, 2022. 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 March 31, 2022 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.

**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 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.

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 five years, following the commencement of related sales. 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 three months ended March 31, 2022, 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.

The Company began sales of sanitizing products and services during the three months ended March 31, 2022. Revenue for this line of business is recognized upon shipment and delivery of training services (as applicable).

**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 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".

**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.



**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Not applicable.

**ITEM 4. CONTROLS AND PROCEDURES**

***Disclosure controls and procedures***

We maintain "disclosure controls and procedures," as that term is defined in Rule 13a-15(e), promulgated by the SEC pursuant to the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including the principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure. Our management, with the participation of the principal executive officer and principal financial officer, evaluated our disclosure controls and procedures as of the end of the period covered by this quarterly report on Form 10-Q. Based on this evaluation, our principal executive officer and principal financial officer concluded that as of March 31, 2022, our disclosure controls and procedures were not effective.

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. 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 were no changes in our internal control over financial reporting during the quarter ended March 31, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II - OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

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 March 31, 2022. 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. Trial has been set to commence June 24, 2022.

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

Not applicable to smaller reporting companies.



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

**Issuance of Unregistered Securities**

Since September 30, 2021, the Company issued the following unregistered securities:

*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.

On January 21, 2022, Geneva Roth Remark Holdings Inc. converted principal of $53,750 and accrued interest of $2,6288 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.

On March 22, 2022, Geneva Roth Remark Holdings Inc. converted principal of $30,000 from its convertible note dated September 17, 2021 into 90,909,091 shares of common stock at contracted prices. Following the conversions, the balance of principal and accrued interest was $20,000 and $2,500 respectively.

On March 25, 2022, Geneva Roth Remark Holdings Inc. converted principal of $20,000 and accrued interest of $2,500 from its convertible note dated September 17, 2021 into 68,181,818 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 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 1, 2022, 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 January 12, 2023, 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 $50,000, with $3,750, disbursed for legal and execution fees.

On February 1, 2022, 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 March 1, 2022, 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 April 1, 2022, 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 May 1, 2022, 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.

## ITEM 3. 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.

## ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

## ITEM 5. OTHER INFORMATION

None.

## ITEM 6. EXHIBITS

| Exhibit No. | Description of Exhibit |
|---|---|
| 31.1* | Certification of Chief Executive Officer pursuant to Exchange Act Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2* | Certification of Chief Financial Officer pursuant to Exchange Act Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1* | Certification of Chief Executive Officer and Chief Accounting Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101.INS* | Inline XBRL Instance Document. |
| 101.SCH* | Inline XBRL Taxonomy Extension Schema Document. |
| 101.CAL* | Inline XBRL Taxonomy Extension Calculation Linkbase Document. |
| 101.DEF* | Inline XBRL Taxonomy Extension Definition Linkbase Document. |
| 101.LAB* | Inline XBRL Taxonomy Extension Label Linkbase Document. |
| 101.PRE* | Inline XBRL Taxonomy Extension Presentation Linkbase Document. |
| 104* | Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101). |

* Filed herewith.



## SIGNATURES

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

**BANTEC, INC.**

Dated: May 16, 2022

By: /s/ Michael Bannon
Michael Bannon
Chief Executive Officer
(Principal Executive Officer)

/s/ Michael Bannon
Michael Bannon

Chief Financial Officer
(Principal Financial Officer)



EX-31.1 2 f10q0322ex31-1_bantecinc.htm CERTIFICATION

**EXHIBIT 31.1**

**CERTIFICATIONS**

I, Michael Bannon, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the fiscal quarter ended March 31, 2022 of Bantec, Inc. (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

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

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

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 16, 2022

*/s/ Michael Bannon*
Michael Bannon
Chief Executive Officer
(Principal Executive Officer)

EX-31.2 3 f10q0322ex31-2_bantecinc.htm CERTIFICATION

**EXHIBIT 31.2**

**CERTIFICATIONS**

I Michael Bannon, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the fiscal quarter ended March 31, 2022 of Bantec, Inc. (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

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

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

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 16, 2022

*/s/ Michael Bannon*
Michael Bannon
Chief Financial Officer
(Principal Financial Officer)

EX-32.1 4 f10q0322ex32-1_bantecinc.htm CERTIFICATION

**EXHIBIT 32.1**

**CERTIFICATION PURSUANT TO**
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Bantec, Inc. (the "Company") for the quarter ended March 31, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael Bannon, Chief Executive Officer and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

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

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

Date: May 16, 2022

*/s/ Michael Bannon*
Michael Bannon
Chief Executive Officer
(Principal Executive Officer)

*/s/ Michael Bannon*
Michael Bannon
Chief Financial Officer
(Principal Financial Officer)

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