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 June 30, 2024

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.)
37 Main Street, Sparta NJ 07871	**07424**
(Address of Principal Executive Offices)	(Zip Code)

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

195 Paterson Ave, Little Falls NJ 07424
(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

Securities registered pursuant to Section 12(b) of the Act: None

Title of each class	Trading Symbol(s)	Name of each exchange on which registered

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). 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.

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 ☒

As of August 16, 2024, there were 53,508,254 shares of the registrant's common stock issued and outstanding.

BANTEC, INC.
Form 10-Q
June 30, 2024

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

BANTEC, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2024 (Unaudited)	September 30, 2023
ASSETS		
CURRENT ASSETS:		
Cash	$ 9,962	$ 35,443
Accounts receivable, net	155,623	138,609
Inventory	97,000	178,056
Prepaid expenses and other current assets	39,679	15,000
TOTAL CURRENT ASSETS	302,264	367,108
Property and equipment, net	2,368	1,542
Right of use asset	95,461	127,276
TOTAL ASSETS	$ 400,093	$ 495,926
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES:		
Accounts payable	$ 2,254,716	$ 2,215,246
Accrued expenses and interest	4,352,080	3,530,406
Convertible notes, net of debt discount and premiums	763,110	386,180
Line of credit	50,000	35,000
Note payable – seller	834,000	834,000
Current portion notes and loans payable – net of discounts	1,084,341	728,092
Merchant advances – net of discounts	191,040	135,760
Notes payable – related party	60,629	105,062
Mandatorily redeemable Preferred Stock Series C - 1,000,000 shares designated and authorized, 224,000 shares at $2.00 stated value and 224,000 shares at $1.50 stated value issued and outstanding at June 30, 2024 and September 30, 2023, respectively	496,915	340,572
Lease liability - current portion	47,156	41,946
TOTAL CURRENT LIABILITIES	10,133,987	8,352,264
LONG-TERM LIABILITIES:		
Lease liability - long-term portion	49,958	85,880
Note payable including accrued interest – related party - long-term portion	8,831,767	8,700,254
Notes and loans payable – net of current portion	139,643	150,000
TOTAL LONG-TERM LIABILITIES	9,021,368	8,936,134
TOTAL LIABILITIES	$ 19,155,355	$ 17,288,398
Temporary Equity – Convertible Preferred Stock Series B - $1.50 stated value, 1,000,000 shares designated and authorized, 189,240 and 208,500 shares, issued and outstanding at June 30, 2024 and September 30, 2023, respectively	$ 493,734	$ 463,962
Commitments and Contingencies (See Note 13)		
STOCKHOLDERS' DEFICIT:		
Preferred stock - $0.0001 par value, 5,000,000 shares authorized, Series A preferred stock – 250 shares designated, issued and outstanding at June 30, 2024 and September 30, 2023, respectively	$ -	$ -
Common stock - $0.0001 par value,12,000,000,000 shares authorized, 49,623,830 and 9,306,954 shares issued and outstanding at June 30, 2024 and September 30, 2023, respectively	4,961	930
Additional paid-in capital	20,599,024	20,598,156
Accumulated deficit	(39,852,981)	(37,855,520)
TOTAL STOCKHOLDERS' DEFICIT	(19,248,996)	(17,256,434)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$ 400,093	$ 495,926

The accompanying condensed consolidated notes are an integral part of these unaudited condensed consolidated financial statements.

BANTEC, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
(Unaudited)

	For the Three Months Ended June 30, 2024	For the Three Months Ended June 30, 2023	For the Nine Months Ended June 30, 2024	For the Nine Months Ended June 30, 2023
Sales	$ 751,035	$ 590,333	$ 2,478,432	$ 1,819,622
Cost of Goods Sold	643,511	489,822	2,126,709	1,515,984
Gross Profit	107,524	100,511	351,723	303,638
OPERATING EXPENSES				
Selling, general, and administrative expenses	488,469	397,360	1,453,853	1,393,133
TOTAL OPERATING EXPENSES	488,469	397,360	1,453,853	1,393,133
LOSS FROM OPERATIONS	(380,945)	(296,849)	(1,102,130)	(1,089,495)
OTHER INCOME (EXPENSE)				
Interest and financing costs	(193,924)	(346,534)	(895,331)	(1,166,231)
TOTAL OTHER EXPENSE, NET	(193,924)	(346,534)	(895,331)	(1,166,231)
LOSS BEFORE TAXES	(574,869)	(643,383)	(1,997,461)	(2,255,726)
Provision for Income tax	-	-	-	-
NET LOSS	$ (574,869)	$ (643,383)	$ (1,997,461)	$ (2,255,726)
Dividends Attributable to Series B and C Preferred Stock	(46,008)	(34,931)	(114,962)	(111,623)
NET LOSS AVAILABLE TO COMMON STOCKHOLDERS	$ (620,877)	$ (678,314)	$ (2,112,423)	$ (2,367,349)
BASIC AND DILUTED NET LOSS PER SHARE AVAILABLE TO COMMON STOCKHOLDERS	$ (0.03)	$ (0.10)	$ (0.16)	$ (0.38)
BASIC AND DILUTED WEIGHTED AVERAGE SHARES OUTSTANDING	19,784,717	6,993,995	13,194,565	6,281,211

The accompanying condensed consolidated notes are an integral part of these unaudited condensed consolidated financial statements.

BANTEC, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 2024 AND 2023
(Unaudited)

	Series A Preferred Stock No. of Shares	Series A Preferred Stock Value	Common Stock No. of Shares	Common Stock Value	Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Deficit
Balance at September 30, 2022	**250**	**$ -**	**4,407,321**	**$ 441**	**$19,051,212**	**$(35,630,186)**	**$ (16,578,533)**
Shares issued for cash	-	-	496,667	49	99,284	-	99,333
Shares issued for conversion of notes and accrued interest and reclassification of debt premiums	-	-	960,120	96	102,501	-	102,597
Preferred Stock Series B dividend	-	-	-	-	(36,960)	-	(36,960)
Net loss for the three months ended December 31, 2022	-	-	-	-	-	(781,675)	(781,675)
Balance at December 31, 2022	**250**	**-**	**5,864,108**	**586**	**19,216,037**	**(36,411,861)**	**(17,195,238)**
Shares issued for conversion of notes and reclassification of debt premiums	-	-	1,129,887	113	101,382	-	101,495
Preferred Stock Series B and C dividend	-	-	-	-	(39,732)	-	(39,732)
Net loss for the three months ended March 31, 2023	-	-	-	-	-	(830,668)	(830,668)
Balance at March 31, 2023	**250**	**-**	**6,993,995**	**699**	**19,277,687**	**(37,242,529)**	**(17,964,143)**
Preferred Stock Series B and C dividend	-	-	-	-	(34,931)	-	(34,931)

Fractional shares issued from reverse split	-	-	383	-	-	-	-
Net loss for the three months ended June 30, 2023	-	-	-	-	-	(643,383)	(643,383)
Balance at June 30, 2023	**250**	**$ -**	**6,994,378**	**$ 699**	**$19,242,756**	**$(37,885,912)**	**$ (18,642,457)**

	Series A Preferred Stock		Common Stock		Additional		Total
	No. of Shares	Value	No. of Shares	Value	Paid-in Capital	Accumulated Deficit	Stockholders' Deficit
Balance at September 30, 2023	**250**	**$ -**	**9,306,954**	**$ 930**	**$20,598,156**	**$(37,855,520)**	**$ (17,256,434)**
Preferred Stock Series B and C dividend	-	-	-	-	(25,274)	-	(25,274)
Shares issued for conversion of Series B preferred shares and dividends	-	-	932,727	93	5,037	-	5,130
Net loss for the three months ended December 31, 2023	-	-	-	-	-	(476,380)	(476,380)
Balance at December 31, 2023	**250**	**-**	**10,239,681**	**1,023**	**20,577,919**	**(38,331,900)**	**(17,752,958)**
Preferred Stock Series B and C dividend	-	-	-	-	(43,680)	-	(43,680)
Shares issued for conversion of notes and reclassification of debt premiums	-	-	503,497	50	5,488	-	5,538
Net loss for the three months ended March 31, 2024	-	-	-	-	-	(946,212)	(946,212)
Balance at March 31, 2024	**250**	**$ -**	**10,743,178**	**$ 1,073**	**$20,539,727**	**$(39,278,112)**	**$ (18,737,312)**
Preferred Stock Series B and C dividend	-	-	-	-	(46,008)	-	(46,008)
Shares issued for conversion of Series B preferred shares and dividends	-	-	28,230,692	2,823	32,893	-	35,716
Shares issued for conversion of notes and reclassification of debt premiums	-	-	10,649,960	1,065	72,412	-	73,477
Net loss for the three months ended June 30, 2024	-	-	-	-	-	(574,869)	(574,869)
Balance at June 30, 2024	**250**	**$ -**	**49,623,830**	**$ 4,961**	**$20,599,024**	**$(39,852,981)**	**$ (19,248,996)**

The accompanying condensed consolidated notes are an integral part of these unaudited condensed consolidated financial statements.

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

	For the Nine Months Ended June 30,	
	2024	**2023**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (1,997,461)	$ (2,255,726)
Adjustments to Reconcile Net Loss to Net Cash Used in Operating Activities:		
Amortization of debt discounts	167,460	276,972
Accretion of premium on convertible notes	165,396	156,000
Bad debt recovery	(2,011)	-
Depreciation expense	732	-
Share issued for conversion fees	-	18,704
Fee notes issued to service providers	42,000	156,000
Non-cash interest expense	216,292	-
Non-cash rent expense	1,103	-
Changes in Assets and Liabilities:		
Accounts receivable	(15,003)	151,771
Inventory	81,056	37,794
Prepaid expenses and other assets	15,000	(29,864)
Accounts payable and accrued expenses	1,014,274	1,106,561
Right of use lease asset	-	(907)
Settlement payable	-	(97,114)
NET CASH USED IN OPERATING ACTIVITIES	(311,163)	(479,809)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of equipment	(1,558)	-
NET CASH USED IN INVESTING ACTIVITIES	(1,558)	-
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of shares	-	99,333
Proceeds from line of credit	15,000	20,000
Net proceeds from loans and notes payable	548,000	-
Net proceeds from merchant advances	438,750	118,250

Repayments of loans and notes payable	(170,807)	(40,741)
Repayments of merchant advances	(514,270)	(26,042)
Net proceeds from convertible notes payable	35,000	-
Repayments of convertible notes	(20,000)	-
Net proceeds from notes payable, related party	54,717	245,062
Repayments on notes payable, related party	(99,150)	(75,667)
Repayments on note payable - seller	-	(3,000)
NET CASH PROVIDED BY FINANCING ACTIVITIES	287,240	337,195
NET DECREASE IN CASH	(25,481)	(142,614)
CASH AT BEGINNING OF PERIOD	35,443	186,386
CASH AT END OF PERIOD	$ 9,962	$ 43,772
Supplemental Disclosure of Cash Flow Information		
Cash paid for:		
Interest	$ 4,017	$ 26,067
Income Tax	$ -	$ -
Supplemental Disclosure of Non-Cash Investing and Financing Activities		
Issuance of common stock for conversion of convertible notes, accrued interest and reclassification of debt premium	$ 79,015	$ 185,388
Issuance of common stock for conversion of Series B preferred stock and dividends	$ 40,846	$ -
Debt discount	$ 196,900	$ 38,000
Right-of-use asset and lease liability pursuant to ASC 842	$ -	$ 140,561
Value of Series C preferred stock in connection with an Exchange Agreement	$ -	$ 336,000
Purchase of convertible note by related party	$ -	$ 5,747,872
Transfer of debt premium upon purchase by related party	$ -	$ 1,220,986
Dividends on convertible preferred stock	$ 114,962	$ -
Other receivable related to SBA loan refund	$ 39,679	$ -

The accompanying condensed consolidated notes are an integral part of these unaudited condensed consolidated financial statements.

BANTEC, INC. AND SUBSIDIARIES
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2024
(Unaudited)

NOTE 1 - NATURE OF OPERATIONS

Bantec, Inc. is a company providing products and services ("Bantec" or the "Company"), targeting the U.S. Government, state governments, municipalities, hospitals, universities, manufacturers and other building owners. Bantec provides product procurement, distribution, and logistics services through its wholly-owned subsidiary, Howco Distributing Co. ("Howco") to the U.S. Department of Defense and Defense Logistics Agency. The Company established Bantec Sanitizing, LLC in fiscal 2021, which offers sanitizing products and equipment through its online store – bantec.store. The Company has operations based in Sparta, New Jersey and Vancouver, Washington. Howco operates in Vancouver, Washington and all other operations are in Sparta, New Jersey. The Company continues to seek strategic acquisitions and partnerships that would offer it 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 Company prepares its consolidated financial statements in accordance with U.S. generally accepted accounting principles ("GAAP"). The accompanying consolidated financial statements include the accounts of Bantec Inc. and its wholly-owned subsidiaries, Drone USA, LLC, Bantec Construction, LLC, Bantec Sanitizing, LLC, Bantec Logistics LLC, Bantec Environmental Corp. and Howco. Bantec Construction, LLC, Bantec Logistics LLC 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.

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 ("SEC") 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 three and nine months ended June 30, 2024 are not necessarily indicative of the results that may be expected for the year ending September 30, 2024. 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, 2023 and footnotes thereto included in the Company's Annual Report on Form 10-K filed with the SEC on February 5, 2024. The consolidated balance sheet as of September 30, 2023 contained herein has been derived from the audited consolidated financial statements as of September 30, 2023 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 nine months ended June 30, 2024, the Company has incurred a net loss of $1,997,461 and used cash in operations of $311,163. The working capital deficit, stockholders' deficit and accumulated deficit was $9,831,723, $19,248,996 and $39,852,981, respectively, at June 30, 2024. In March 2024, the Company received a default notice under certain promissory notes and convertible notes from a lender (see Note 8). On September 6, 2019, the Company received a default notice on its payment obligations under the senior secured credit facility agreement which was previously in default (see Note 8). The Company also defaulted on its Note Payable – Seller in September 2017 and has since defaulted on other promissory notes. As of June 30, 2024, the Company has received demands for payment of past due amounts from several consultants and service providers. It is the 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 the 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 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. However, additional funding may not be available to the Company on acceptable terms, or at all. Any failure to raise capital as and when needed could have a negative impact on the Company's ability to pursue its business plans and strategies, and the Company would likely be forced to delay, reduce, or terminate some or all of its activities, all of which could have a material adverse effect on the Company's business, results of operations and financial condition.

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 credit losses on accounts receivable, reserves on inventory, valuation of the lease liability and related right-of-use asset, valuation of stock-based compensation, valuation of redeemable preferred stock, and the valuation allowance on deferred tax assets.

Fair Value Measurements

The Company follows the FASB *Fair Value Measurements* standard, as it applies to its financial instruments on a recurring basis. 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 estimated fair value of certain financial instruments, including cash and cash equivalents, accounts receivable, accounts payable and accrued expenses are carried at historical cost basis, which approximates their fair values because of the short-term nature of these instruments.

The Company's non-financial assets, such as ROU assets, and property and equipment, are adjusted to fair value only when an impairment is recognized. Such fair value measurements are based predominantly on Level 3 inputs**.**

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 credit losses, 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. The Company maintains an allowance for credit losses primarily for estimated losses resulting from the inability or failure of individual customers to make required payments. The Company maintains an allowance under Accounting Standards Codification ("ASC") 326 based on historical losses, changes in payment history, customer-specific information, current economic conditions, and reasonable and supportable forecasts of future economic conditions. The allowance under ASC 326 is updated as additional losses are incurred or information becomes available related to the customer or economic conditions. As of June 30, 2024 and September 30, 2023, the allowance for credit losses was $27,472 and $29,472, respectively.

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. Depreciation expense was $732 and $0 for the nine months ended June 30, 2024 and 2023, respectively.

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

The Company follows Accounting Standards Codification ("ASC") 606, Revenue From Contracts With Customers, which 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 sells a variety of products to government entities. The purchase order 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.

The Company through its subsidiary Howco enters into contracts to package products for a third-party company servicing the same government customer base. The contracts are based on the job lot as shipped to Howco for packaging. The customer is billed upon completion of each job lot at which time revenue is recognized.

The Company sells drones and related products manufactured by third parties to various parties, primarily local government entities. Contracts for drone related products and services 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. Upon significant sales for drone products, 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 fiscal year 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 along with non-employee 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.

Shipping and Handling Costs

The Company has included freight-out as a component of cost of sales, which amounted to $23,119 and $18,699 for the three months ended June 30, 2024 and 2023, respectively, and $49,475 and $39,382 for the nine months ended June 30, 2024 and 2023, 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

The Company follows ASU No. 2016-02, *Leases*, which requires lessees to report on their balance sheets a right-of-use asset and a lease liability in connection with most lease agreements classified as operating leases. Under the guidance, codified as ASC Topic 842, the lease liability must be measured initially based on the present value of future lease payments, subject to certain conditions. The right-of-use asset must be measured initially based on the amount of the liability, plus certain initial direct costs. ASC 842 requires that leases be classified at inception as either (a) operating leases or (b) finance leases. For operating leases, periodic expense generally is flat (straight-line) throughout the life of the lease. For finance leases, periodic expense declines over the life of the lease.

In 2020, the Company's subsidiary renewed the lease for the warehouse and office facility in Vancouver, Washington through May 30, 2023, and accounted for it under ASC 842. The Company signed the seventh amendment to the lease on May 2, 2023 extending the lease end date to May 31, 2026 with two additional option years. 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. The Company recognized a lease liability of $140,561 and the related right-of-use asset for the same amount in fiscal 2023 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 June 30, 2024, the Company's tax returns for the tax years 2023, 2022, 2021 and 2020 remain subject to audit, primarily by the Internal Revenue Service.

The Company did not have material unrecognized tax benefits as of June 30, 2024 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. It should be noted that contractually the limitations on the third-party notes (and the related warrants) limit the number of shares converted to either 4.99% or 9.99% of the then outstanding shares. The Company's CEO and Chairman of the Board of Directors holds all issued and outstanding shares of Series A Preferred Stock, which confers upon him a majority vote in all Company matters including authorization of additional shares of common stock or reverse stock split. As of June 30, 2024 and 2023, potentially dilutive securities consisted of the following:

	June 30, 2024	June 30, 2023
Stock options	16	16
Warrants	2,240,000	2,240,000
Series B Preferred Stock	493,734,000	922,128,000
Third party convertible debt	483,025,461	1,108,244,329
Total	978,999,477	2,032,612,345

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. For the nine months ended June 30, 2024, the Company had three operating segments. Howco generated approximately 100% of the consolidated sales which are primarily from department of defense. Bantec Sanitizing Inc. had no contribution to consolidated sales of its sanitizing products for the nine months ended June 30, 2024. Howco had 99.8% of the consolidated tangible assets, Drone and Bantec Sanitizing Inc. had no allocated assets and the parent company had 0.2% of the consolidated tangible assets as of June 30, 2024 and additionally, there are no formal cost allocations to Howco or the other subsidiaries.

Management decisions about allocation of working capital and other assets are based on sales, inventory and operating costs, with no formal processes in place.

Recent Accounting Pronouncements

The Company has reviewed the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") accounting pronouncements and interpretations thereof that have effectiveness dates during the periods reported and in future periods. We have carefully considered the new pronouncements that alter previous generally accepted accounting principles and do not believe that any new or modified principles will have a material impact on the Company's reported financial position or operations in the near term. The applicability of any standard is subject to the formal review of the Company's financial management.

In August 2020, the FASB issued Accounting Standards Update ("ASU") 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), which eliminates the beneficial conversion and cash conversion accounting models for convertible instruments, amends the accounting for certain contracts in an entity's own equity that are currently accounted for as derivatives because of specific settlement provisions, and modifies how particular convertible instruments and certain contracts that may be settled in cash or shares impact the diluted EPS calculation. The standard is effective for annual periods beginning after December 15, 2023 for smaller reporting companies, and interim periods within those reporting periods. This adoption did not have a material effect to the Company.

In March 2022, the FASB issued ASU 2022-02, "Financial Instruments - Credit Losses (Topic 326)", which is intended to address issues identified during the post-implementation review of ASU 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments". The amendment, among other things, eliminates the accounting guidance for troubled debt restructurings by creditors in Subtopic 310-40, "Receivables - Troubled Debt Restructurings by Creditors", while enhancing disclosure requirements for certain loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulty. The new guidance is effective for interim and annual periods beginning after December 15, 2022. This adoption did not have a material effect to the Company.

In November 2023, the FASB issued ASU 2023-07, "Segment Reporting: Improvements to Reportable Segment Disclosures" ("ASU 2023-07"). ASU 2023-07 modifies the reportable segment disclosure requirements, primarily by requiring enhanced disclosures about significant segment expenses. In addition, ASU 2023-07: (i) enhances interim disclosure requirements, (ii) clarifies the circumstances in which an entity can disclose multiple measures of a segment's profit or loss, (iii) provides new segment disclosure requirements for public entities with a single reportable segment, and (iv) requires that a public entity disclose the title and position of the chief operating decision maker ("CODM") and an explanation of how the CODM uses the reported measure(s) of segment profit or loss in assessing segment performance and deciding how to allocate resources. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The amendments in ASU 2023-07 are to be applied retrospectively to all prior periods presented in the 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, NET

The Company's accounts receivable at June 30, 2024 and September 30, 2023 was as follow:

	June 30, 2024	September 30, 2023
Accounts receivable	$ 183,095	$ 168,081
Allowance for credit losses	(27,472)	(29,472)
	$ 155,623	$ 138,609

Credit loss expense (recovery) was $(2,011) and $0 for the nine months ended June 30, 2024 and 2023, respectively.

NOTE 4 - INVENTORY

At June 30, 2024 and September 30, 2023, inventory consisted of finished goods and was valued at $97,000 and $178,056, respectively. No inventory reserve was deemed necessary at June 30, 2024 or September 30, 2023.

NOTE 5 - 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 1/60th 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 June 30, 2024 and September 30, 2023 was 12.75% for both periods. As of June 30, 2024 and September 30, 2023, respectively, the balance of the line of credit was $50,000 and $35,000, with $0 available at June 30, 2024.

NOTE 6 - 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 and subordinated to the Senior Secured Credit Facility (see Note 8). The note is currently in default and the default interest rate is 8% per annum. At June 30, 2024 and September 30, 2023, the principal and accrued interest on this note amounted to $834,000, $525,850 and $834,000, $477,093, respectively.

NOTE 7 - PROMISSORY NOTES PAYABLE – RELATED PARTY OFFICER AND HIS AFFILIATES

The outstanding balance of notes issued to the Company's chief executive officer and his affiliates consisted of the following at June 30, 2024 and September 30, 2023:

	June 30, 2024	September 30, 2023
Principal	$ 8,892,396	$ 8,805,316
Less: Current portion	(60,629)	(105,062)
Long term portion (including accrued interest – long term)	$ 8,831,767	$ 8,700,254

Promissory Notes Payable – Current portion

On January 1, 2023, Bantec, Inc., Bantec Sanitizing LLC and Howco each executed line of credit agreements with an entity controlled by the Company's CEO. Each agreement has the same terms: advances up to $100,000, maturity is one year, a ten percent advance fee and daily interest at 0.07% (approximately 26% annually) on the net balance due. The Company will charge the advance fees to interest expense.

For the nine months ended June 30, 2024:

(i) Bantec, Inc. borrowed $54,717 and repaid $99,150, leaving an outstanding balance of $20,309.

(ii) Howco has an outstanding balance of $40,320 for both periods as of June 30, 2024 and September 30, 2023. Such related party note is due on demand.

Promissory Notes Payable – Long term

On April 12, 2023, the receiver for TCA Global Credit Master Fund, LP ("TCA") sold and assigned to Ekimnel Strategies, LLC, a Delaware limited liability company ("Ekimnel"), and Ekimnel purchased and assumed, all of TCA's rights and obligations as a lender under that certain Senior Secured Credit Facility Agreement (the "Agreement") (see Note 8). Ekimnel is a company controlled by Michael Bannon, the Company's Chief Executive Officer.

On August 12, 2023, the Company, as the Borrower, and the Company's subsidiaries: Drone USA, LLC and Howco Distributing Co., as Corporate Guarantors, and

Michael Bannon, as a Validity Guarantor (collectively, "Credit Parties"), entered into an Amendment (the "Amendment") to the Agreement with Ekimnel, as the Lender, pursuant to which the Company issued the Second Replacement Promissory Note (the "Note") to Ekimnel in the principal amount of $8,676,957. The Note was issued in substitution for and to supersede the First Replacement Promissory Convertible Note A and the First Replacement Promissory Convertible Note B, previously issued by the Company, as amended from time to time (collectively "Replacement Notes"). Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Amendment or the Agreement.

Pursuant to the Amendment, the Lender and the Credit Parties:

(i) combined and consolidated both the Replacement Notes into the Note;

(ii) extended the Maturity Date of the Note to August 12, 2047;

(iii) lowered the interest rate on the Note to 2.0% per year, with (a) the principal and interest payments starting on August 12, 2026, and (ii) for the period commencing on August 12, 2023 and ending on August 11, 2026, interest due on the Note being added to the outstanding principal amount of the Note;

(iv) removed the Lender's right to convert the Company's obligations under the Note into shares of common stock of the Company; and

(v) made certain conforming changes to the terms of the Agreement.

Due to the related party nature of the transaction, the Company recorded a total of $1,363,100 to additional paid in capital in fiscal year 2023 as a result of the debt extinguishment in connection with the assumption of the Senior Secured Debt by Ekimnel, a related party, and removal of the put premium on the convertible debt. At June 30, 2024 and September 30, 2023, the principal amount – long-term on this note amounted to $8,831,767 and $8,700,254, respectively, which includes accrued interest.

NOTE 8 - CONVERTIBLE NOTES PAYABLE AND ADVISORY FEE LIABILITIES

The convertible debt balances consisted of the following at June 30, 2024 and September 30, 2023:

	June 30, 2024	September 30, 2023
Principal	$ 445,536	$ 211,019
Premiums	317,574	179,833
Less: debt discount	-	(4,672)
	$ 763,110	$ 386,180

For the nine months ended June 30, 2024 and 2023, amortization of debt discount on the above convertible notes amounted to $36,661 and $0 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 bore interest at a rate of 18% per annum, required monthly payments of $52,500, which was 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.

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 had 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.

On April 12, 2023, Ekimnel Strategies LLC, 100% owned by Michael Bannon, Bantec's Chairman, CEO and CFO, purchased and assumed, all of TCA's rights and obligations as a lender under the Senior Secured Credit Facility Agreement dated May 31, 2016 and effective September 13, 2016 and all subsequent documents from the Receiver for TCA Global Credit Master Fund, LP. On August 12, 2023, the Company, as the Borrower, and the Company's subsidiaries: Drone USA, LLC and Howco Distributing Co., as Corporate Guarantors, and Michael Bannon, as a Validity Guarantor, entered into an Amendment to the Agreement with Ekimnel, as the Lender, pursuant to which the Company issued the Second Replacement Promissory Note to Ekimnel in the principal amount of $8,676,957 which became a non-convertible note (see Note 7 for terms of the Promissory Note). Consequently, the Company recorded a total of $1,363,100 to additional paid in capital during fiscal year 2023 as a result of the debt extinguishment in connection with the assumption of the Senior Secured Debt by Ekimnel and removal of the put premium on the convertible debt.

Other Convertible Notes

Scottsdale Capital Advisors

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 accrues 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 June 30, 2024 and September 30, 2023 with $10,403, and $9,277, of accrued interest, respectively. As the note has matured, it is in default. Under the terms of the note, no default interest or penalties accrue.

Frondeur Partners LLC

Between September 1, 2022 to May 1, 2023, the Company issued convertible promissory notes to Frondeur Partners LLC for an aggregate amount of $135,000 in principal for services. The convertible notes bear interest ranging from 10% to 12% per annum and matured in nine months after the date of issuance. The notes issued were convertible into shares of common stock at a discount of 50% of the lowest closing bid price during the thirty trading days prior to conversion.

On July 10, 2023, the Company and Frondeur Partners LLC., signed an Omnibus Amendment to Promissory Notes dated between September 2022 and May 2023 eliminating conversion rights in each note. All other terms remain the same. Accordingly, at September 30, 2023, the Company reclassified the principal balance of convertible notes of $135,000 into notes payable (see Note 9) and recognized the remaining related debt put premium of $135,000 as gain on debt extinguishment and settlements during the year ended September 30, 2023. The principal balance for the Frondeur convertible notes was $0 at June 30, 2024 and September 30, 2023 for both periods.

Convertible notes for legal services

From May 1, 2022 until June 1, 2023, the Company issued a $4,000 convertible notes every month to the law firm for fees incurred, each note having six-month term to maturity and 10% annual interest. The notes are convertible into shares of common stock at a fixed discount of 50% of the lowest bid price in the 30 trading days immediately preceding the notice of conversion from the lender. 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 notes principal amount were charged to professional fees during the month the notes were issued.

Between December 1, 2023 and June 1, 2024, the Company issued an aggregate of $42,000 convertible notes to the law firm for fees incurred, having a six-month term to maturity and 10% annual interest compounded monthly. The notes are convertible into shares of common stock at a fixed discount of 70% of the lowest bid price in the 10 trading days immediately preceding the notice of conversion from the lender. 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 principal amount of the notes were charged to professional fees during the month the notes were issued. The Company has accounted for the convertible promissory notes as stock settled debt under ASC 480 and recorded debt premium of $18,000.

On October 14, 2023, the Company entered into an Assignment Agreement with the law firm (the “Assignor”) and JP Carey Limited Partners, LP (the “Assignee”) whereby the Assignor desires to assign all of its rights and interest under certain convertible notes dated from May 1, 2022 to March 1, 2023 with a total principal amount of $44,000 and accrued interest of $4,854 to the Assignee for a purchase price of $44,000. All other terms and conditions under the assigned convertible notes remain the same and in full force and effect.

The principal balances owed to the law firm and Assignee under the agreement as of June 30, 2024 and September 30, 2023 were $98,000 and $56,000, respectively and accrued interest was $10,467 and $4,866 as of June 30, 2024 and September 30, 2023, respectively.

Convertible note issued to a vendor

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%, matured 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 or interest rate increase 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 of $90,000 with a charge to interest expense for the notes. At June 30, 2024 and September 30, 2023 the principal and premium were both $90,000. At June 30, 2024 and September 30, 2023, accrued interest was $53,717 and $46,961, respectively (see Note 13).

1800 Diagonal Lending LLC

On September 6, 2023, the Company entered into the Securities Purchase Agreement with 1800 Diagonal Lending LLC (the “Lender”), pursuant to which the Company issued a promissory note to the Lender in the principal amount of $49,000, including a debt issuance cost of $5,000 to be amortized over the term of this note. The note matures on September 6, 2024 and bears interest at 10% per annum. The conversion price shall be a variable conversion price equal to 65% of the average of the two lowest closing price per share of the common stock during the fifteen trading day period ending on the latest complete trading day prior to the conversion date, provided, however, that the Lender and its affiliates may not beneficially own more than 4.99% of the Company’s outstanding shares of common stock upon the conversion of the September 6, 2023 note. The Company has accounted for the convertible promissory note as stock settled debt under ASC 480 and recorded debt premium $26,385 with a charge to interest expense for the note. At September 30, 2023, principal balance and accrued interest was $49,000 and $322, respectively. In March 2024, the Company received a default notice from the Lender related to this note and consequently, the Company recorded a default penalty of $24,500 and an additional debt premium of $13,192.

In March 2024, the Company issued 503,497 shares of common stock in conversion of $3,600 principal balance of note. Between April 2024 and June 2024, the Company issued an aggregate of 10,649,960 shares of common stock in conversion of $47,760 principal balance of a convertible note dated in September 2023. Accordingly, $27,655 of the put premium was released to additional paid in capital during the nine months ended June 30, 2024 following conversion of the principal balance. At June 30, 2024, principal balance including default penalty and accrued interest was $22,140 and $7,513, respectively.

On December 11, 2023, the Company entered into the Securities Purchase Agreement with 1800 Diagonal Lending LLC, pursuant to which the Company issued a promissory note to the Lender in the principal amount of $40,000, including a debt issuance cost of $5,000 to be amortized over the term of this note. The note matures on December 11, 2024 and bears interest at 12% per annum. The conversion price shall be a variable conversion price equal to 65% of the average of the two lowest closing price per share of the common stock during the fifteen trading day period ending on the latest complete trading day prior to the conversion date, provided, however, that the Lender and its affiliates may not beneficially own more than 4.99% of the Company’s outstanding shares of common stock upon the conversion of the December 11, 2023 note. The Company has accounted for the convertible promissory note as stock settled debt under ASC 480 and recorded debt premium of $21,538. In March 2024, the Company received a default notice from the Lender related to this note and consequently, the Company recorded a default penalty of $20,000 and an additional debt premium of $10,769. At June 30, 2024, principal balance including default penalty and accrued interest was $60,000 and $6,845, respectively.

In March 2024, the Company reclassified two promissory notes for a total balance of $179,376 which included default penalty of $59,792 into convertible notes (see Note 9) upon the receipt of a default notice from the Lender which was treated as a debt extinguishment. There was no gain/loss recognized in this transaction. Consequently, upon reclassification into convertible notes, the Company recorded debt premium of $101,897. In March 2024, the Company repaid an additional $20,000 towards these convertible notes. At June 30, 2024, principal balance including default penalty and accrued interest was $159,376 and $9,554, respectively.

NOTE 9 - NOTES, LOANS PAYABLE AND MERCHANT ADVANCES

The notes balance consisted of the following at June 30, 2024 and September 30, 2023

	June 30, 2024	September 30, 2023
Principal loans and notes	$ 1,223,984	$ 899,203
Less: Discounts	(-)	(21,111)
Total	1,223,984	878,092
Less Current portion	(1,084,341)	(728,092)
Non-current	$ 139,643	$ 150,000

The merchant advance balance consisted of the following at June 30, 2024 and September 30, 2023

	June 30, 2024	September 30, 2023
Merchant advances	$ 268,366	$ 177,810
Less: Discounts	(77,326)	(42,050)
Total	$ 191,040	$ 135,760

For the nine months ended June 30, 2024 and 2023, amortization of debt discount on the above notes and merchant advances amounted to $130,799 and $276,972, respectively.

Small Business Administration

On June 17, 2020, the Company through Howco, entered into a loan directly with the Small Business Administration (“SBA”) 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 June 30, 2024 and September 30, 2023, the principal balance and accrued interest on this note amounted to $142,119, $17,974 and $150,000, $13,621, respectively. During the year ended September 30, 2023, the Company paid accrued interest of $4,386. As of September 30, 2023, $150,000 is classified as non-current.

In April 2024, the Company enrolled in the SBA’s Hardship Accommodation Plan (“HAP”) for this loan. SBA is offering HAP for COVID-19 Economic Injury Disaster Loan borrowers experiencing short-term financial challenges. The Company will pay 10% of the usual payments for six months, without first catching up on missed payments. Borrowers will have the option to renew after the plan concludes. Interest will continue to accrue, which may increase (or create) a balloon payment due at the end of the loan term. The Company’s next payment is due on July 17, 2024 amounting to $73. During the nine months ended June 30, 2024, the Company paid accrued interest of $219 and principal amount of $47,560. The Company expects a refund of $39,679 from SBA due to the enrollment in HAP for this loan. Accordingly, as of June 30, 2024, the Company recorded other receivable of $39,679 which is included in prepaid expenses and other current assets. As of June 30, 2024, $2,476 and $139,643, is classified as current and non-current portion, respectively.

Notes payable to service vendor

During fiscal year 2021, the Company issued seven notes payable totaling $17,500. The notes were issued for monthly fees ($2,500) for a service vendor and are issued the first day of the month and each has one year maturity and does not bear interest. The service arrangement was terminated in April 2021, with $17,500 owed as of June 30, 2024 and September 30, 2023.

Notes payable to a consultant

In August 2023, Howco executed a line of credit agreement with an advance up to $100,000 with a consultant of the Company. The loan shall bear 18% interest per annum and shall be due on February 19, 2024 and also renewable at the lender’s option. The minimum monthly payment towards principal and interest will be $3,000. This loan is personally guaranteed by the CEO of the Company along with the accounts receivable of Howco and Bantec, Inc. During the fiscal year ended September 30, 2023, the Company borrowed $111,000 and repaid $19,000, leaving an outstanding balance of $92,000 and accrued interest of $2,012 as of September 30, 2023.

In January 2024, Bantec Inc. and Howco renewed the line of credit agreements with an aggregate advance up to $700,000. The loans are due on demand and shall bear 18% interest per annum. During the nine months ended June 30, 2024, the Company borrowed $473,000 and repaid $57,895, leaving an outstanding balance of $507,105 and accrued interest of $22,974 as of June 30, 2024.

Frondeur Partners LLC

On July 10, 2023, the Company and Frondeur Partners LLC., signed an Omnibus Amendment to Promissory Notes dated between September 2022 and May 2023 eliminating conversion rights in each note. All other terms remain the same and bear interest ranging from 10% to 12% per annum. Accordingly, at September 30, 2023, the Company reclassified the principal balance of convertible notes of $135,000 into notes payable (see Note 8). The principal balance for the Frondeur notes was $135,000 at June 30, 2024 and September 30, 2023 for both periods. Accrued interest for these notes totaled $20,262 and $10,128 at June 30, 2024 and September 30, 2023, respectively.

Trillium Partners, LP

On July 1, 2022, the Company entered into a Securities Purchase Agreement with Trillium Partners, LP (“Trillium”). Under the terms of the SPA, Trillium agreed to advance funds under a merchant financing arrangement, treated as a loan. The loan principal is $224,000, including legal fees of $5,000 and OID of $24,000, the Company received cash of $195,000. Loan bears interest of 12% per annum and matured on June 30, 2023. The Company agreed to issue 224,000 shares of the Company’s Series B Preferred Stock, and a Warrant to purchase 1,120,000 shares of common stock as consideration for the advance agreement. The Series B

Preferred Stock met the criteria for treatment as temporary equity and debt discount of $50,684 was recognized. The Warrant caused a recognition of $100,194 in debt discount. Total debt discount recognized was $179,878, to be amortized over the term of the loan, $44,846 was recognized as interest expense as of September 30, 2022 from amortization of discounts. The Company defaulted on the weekly payment terms of the note; however, the note holder granted a limited waiver of the default. Under the waiver amendment, the default interest rate still applies and now the note accrues interest of 22% and the payments are due upon the notes maturity. Total accrued interest at June 30, 2024 and September 30, 2023 was $74,260 and $43,994, respectively. On October 25, 2022, the Company repaid $50,000 of the July merchant financing arrangement. The payment was applied to the Trillium LP notes' accrued interest and principal bringing its principal balance to $183,259, at June 30, 2024 and September 30, 2023.

JP Carey Limited Partners, LP

On July 1, 2022, the Company entered into a Securities Purchase Agreement with JP Carey Limited Partners, LP ("JPC"). Under the terms of the SPA, JPC agreed to advance funds under a merchant financing arrangement, treated as a loan. The loan principal is $224,000, including legal fees of $5,000 and OID of $24,000, the Company received cash of $195,000. Loan bears interest of 12% per annum and matured on June 30, 2023. The Company agreed to issue 224,000 shares of the Company's Series B Preferred Stock, and a Warrant to purchase 1,120,000 shares of common stock as consideration for the advance agreement. The Series B Preferred Stock met the criteria for treatment as temporary equity and debt discount of $50,684 was recognized. The Warrant caused a recognition of $100,194 in debt discount. Total debt discount recognized was $179,878, to be amortized over the term of the loan, $44,845 was recognized as interest expense as of September 30, 2022 from amortization of discounts. The Company defaulted on the weekly payment terms of the note; however, the note holder granted a limited waiver of the default. Under the waiver amendment, the default interest rate still applies and now the note accrues interest of 22%, and the payments are due upon the notes maturity. Total accrued interest at June 30, 2024 and September 30, 2023 was $97,196 and $60,202, respectively. As of June 30, 2024 and September 30, 2023, the principal balance amounted to $224,000 for both periods.

1800 Diagonal Lending LLC

On July 17, 2023, the Company entered into the Securities Purchase Agreement (the "Agreement") with 1800 Diagonal Lending LLC ("Lender"), pursuant to which the Company issued a promissory note (the "Note") to the Lender in the principal amount of $90,400, including an original issue discount of $10,400 and legal fees of $5,000. The Agreement contains certain customary representations, warranties, and covenants made by the Company. Under the Note, the Company is required to make ten payments of $10,305.60, which includes a one-time interest charge of 14% ($12,565). The first payment is due on August 30, 2023, with nine subsequent payments due each month thereafter. The Note is not secured by any collateral. The Note was to mature on May 15, 2024 and contains customary events of default.

On October 26, 2023, the Company entered into the Securities Purchase Agreement with 1800 Diagonal Lending LLC, pursuant to which the Company issued a promissory note to the Lender in the principal amount of $90,400, including an original issue discount of $10,400 and legal fees of $5,000. The Agreement contains certain customary representations, warranties, and covenants made by the Company. Under the Note, the Company is required to make ten payments of $10,305.60, which includes a one-time interest charge of 14% ($12,565). The first payment is due on November 30, 2023, with nine subsequent payments due each month thereafter. The Note is not secured by any collateral. The Note was to mature on August 30, 2024 and contains customary events of default.

Upon the occurrence and during the continuation of any such event of default, the notes above will become immediately due and payable, and the Company is obligated to pay to the Lender an amount equal to 150% times the sum of (w) the then outstanding principal amount of the note plus (x) accrued and unpaid interest on the unpaid principal amount of the note to the date of payment plus (y) default interest at 22% per annum on the amounts referred to in clauses (w) and/or (x) plus (z) any amounts owed to the Lender pursuant to Article IV of the note (amounts set forth in clauses (w), (x), (y) and (z) are collectively referred to as the "Default Amount"). If the Company fails to pay the Default Amount within five (5) business days of the Lender's written notice that such amount is due and payable, then the Lender has the right to convert the balance owed pursuant to the note, including the Default Amount, into shares of common stock of the Company ("Common Stock") at a variable conversion price equal to 61% of the lowest closing price pe share of Common Stock during the ten trading day period ending on the latest complete trading day prior to the conversion date, provided that the Lender and its affiliates may not own greater than 4.99% of the Company's outstanding shares of Common Stock, as set forth in the Note. The Company used the proceeds from the note for general working capital purposes.

During the year ended September 30, 2023, the Company repaid $20,611. As of September 30, 2023, the note balance amounted to $72,921 and unamortized debt discount of $11,588.

During the nine months ended June 30, 2024, the Company repaid $65,917 towards these notes. The Company did not make the required December 2023 payments for a total of $20,611. In December 2023, the Company and the lender have renegotiated a revised payment plan. The lender agreed to modify the required payments to weekly payments of $5,000 starting in January 2024. In March 2024, the Company received a default notice from the Lender related to the notes above and consequently, the Company recorded a default penalty of $59,792, fully amortized the remaining debt discount of $19,023 (as of December 31, 2023), and the Company reclassified a total note balance of $179,376 which included the default penalty into convertible notes (see Note 8).

Promissory note for legal services

On September 14, 2023, the Company issued a $15,000 promissory note to a law firm for fees to be incurred for the preparation of the Company's registration statement which was completed in November 2023. The maturity date of this note is March 15, 2024 and bears 10% interest per annum. The principal balance and accrued interest owed to the law firm under the agreement as of September 30, 2023 were $15,000, and $66 respectively. The principal balance and accrued interest owed to the law firm under the agreement as of June 30, 2024 were $15,000, and $1,192 respectively.

Merchant Advances

Itria Ventures LLC

On April 28, 2023, Howco executed a sale of receivables agreement with Itria Ventures LLC ("Itria"), Itria funded $125,000, which included fees of $6,750 withheld for a net payment to Howco of $118,250. Itria will withdraw weekly repayments of $3,255.21 for 48 weeks. The total repayments is $156,250, including interest totaling $31,250. The Company recognized a total of $38,000 of debt discount related to this agreement to be amortized over the term of the receivable agreement.

On September 14, 2023, Howco executed a sale of receivables agreement with Itria Ventures LLC, Itria funded $75,000, which included fees of $3,500 withheld for a net payment to Howco of $71,500. Itria will withdraw weekly repayments of $1,953 for 48 weeks. The total repayments is $93,750, including interest totaling $18,750. The Company recognized a total of $22,250 of debt discount related to this agreement to be amortized over the term of the receivable agreement.

During the year ended September 30, 2023, the Company repaid $72,265. As of September 30, 2023, the total loan balance to Itria amounted to $177,810 and unamortized debt discount of $42,050. During the nine months ended June 30, 2024, the Company repaid $160,233. As of June 30, 2024, the total loan balance to Itria amounted to $17,578 and unamortized debt discount of $4,635.

Samson MCA LLC

On October 24, 2023, the Company's subsidiary, Howco, executed a sale of future receipt agreement with Samson MCA LLC ("Samson"). Under the agreement, the Company sold $136,000 in future receipt or receivables for a purchase amount of $100,000. The principal amount is payable in weekly installments of $3,400 until such time that the obligation is fully satisfied for approximately 10 months. The Company received $96,875 (net of origination fee of $3,000 which will be amortized over term of this agreement and $125 processing fee). The Company has the option to repurchase the receipts it sold to Samson during the first month to the sixth month from the date of this agreement ranging from $118,000 to $127,000.

On January 10, 2024, the Company's subsidiary, Howco, executed a sale of future receipt agreement with Samson MCA LLC. Under the agreement, the Company sold $173,750 in future receipt or receivables for a purchase amount of $125,000. The principal amount is payable in weekly installments of $8,687.50 until such time that the obligation is fully satisfied for approximately 5 months. The Company received $121,225 (net of origination fee of $3,750 which will be amortized over term of this agreement and $125 processing fee). The Company has the option to repurchase the receipts it sold to Samson during the first month to the sixth month from the date of this agreement ranging from $147,500 to $158,750.

On April 8, 2024, the Company's subsidiary, Howco, executed a sale of future receipt agreement with Samson MCA LLC. Under the agreement, the Company sold $310,500 in future receipt or receivables for a purchase amount of $225,000. The principal amount is payable in weekly installments of $11,942 until such time that the obligation is fully satisfied for approximately six months. The Company received $56,375 after paying-off the remaining balance of the two Samson MCA, LLC loans dated in October 2023 and January 2024 for $164,000 (net of origination fee of $4,500 which will be amortized over term of this agreement and $125 processing fee). The Company has the option to repurchase the receipts it sold to Samson during the first month to the sixth month from the date of this agreement ranging from $258,750 to $279,000.

During the nine months ended June 30, 2024, the Company repaid $354,037. As of June 30, 2024, the total loan balance to Samson amounted to $250,788 and unamortized debt discount of $72,692.

Default on Notes and Loans

On July 26, 2023, the Company received a demand and default letter from Trillium Partners L.P. The letter references a document titled "Securities Purchase Agreement" dated July 2022. In the demand letter, Trillium is looking for immediate payment of $275,710. On August 4, 2023, the Company received a demand notification revising the demand amount to $214,563 with $183,259 in principal and $31,304.33 in interest and for JP Carey, a total of $270,947.95 with $224,000 in principal and $46,947.95 in accrued interest. In addition, the demand notification included outstanding fee notes for Frondeur Partners LLC, a total of $135,000 in principal and $7,903 of accrued interest. As of June 30, 2024, nine notes, dated from September 2022 to May 2023, matured.

In March 2024, the Company received a demand and default notice from 1800 Diagonal Lending LLC. The Company received a demand notification demanding the aggregate amount of $404,700 representing the aggregate original principal balances of $269,800 multiplied by 150% default penalty, together with accrued interest and default interest as provided for in the note. Further, on May 14, 2024, the Company was served with a lawsuit (Case No. 2024-05888) in the Circuit Court of Fairfax County, Virginia brought by 1800 Diagonal Lending, LLC (the "Plaintiff"). The Plaintiff alleges that the Company breached the terms of four Promissory Notes, issued in July, September, October and December of 2023, and seeks recovery of monetary damages in the amount of $318,392.00, and equitable relief. On July 17, 2024, the Company filed an answer to 1800 Diagonal Lending's lawsuit. The Company denied all of 1800 Diagonal Lending's claims and asserted twenty-five affirmative defenses. The case details are included in the Circuit Court of Fairfax Couty case number: 2024-05888 (see Note 13).

NOTE 10 - SERIES B AND SERIES C PREFERRED STOCK

Temporary Equity – Convertible Series B Preferred Stock

On July 1, 2022, the Company's Board of Directors designated as Series B Preferred Stock and authorized 1,000,000 shares which will not be subject to increase without the consent of the holders (each a "Holder" and collectively, the "Holders") of a majority of the outstanding shares of Series B Preferred Stock. The designations, powers, preferences, rights and restrictions granted or imposed upon the Series B Preferred Stock are as set forth in the Certificate of Designation filed in the State of Delaware. Each share of Series B Preferred Stock shall have an initial stated value of $1.00 (the "Stated Value"). The Series B Preferred Stock will, with respect to dividend rights and rights upon liquidation, winding-up or dissolution, rank: (a) senior with respect to dividends and right of liquidation with the Company's common stock and (b) junior with respect to dividends and right of liquidation to all existing and future indebtedness of the Company and existing and outstanding preferred stock of the Company.

Series B Preferred Stock shall have no right to vote on any matters requiring shareholder approval or any matters on which the shareholders are permitted to vote, with the exception to matters that would change the number or features of the Series B Preferred Stock.

Each share of Series B Preferred Stock will carry an annual dividend in the amount of twelve percent (12%) of the Stated Value (the "Divided Rate"), which shall be cumulative, payable solely upon redemption, liquidation or conversion. Upon the occurrence of an Event of Default, the Dividend Rate shall automatically increase to twenty two percent (22%).

Upon any liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, or upon any Deemed Liquidation Event, after payment or provision for payment of debts and other liabilities of the Company, and after payment or provision for any liquidation preference payable to the holders of any Preferred Stock ranking senior upon liquidation to the Series B Preferred Stock, if any, but prior to any distribution or payment made to the holders of Common Stock or the holders of any Preferred Stock ranking junior upon liquidation to the Series B Preferred Stock by reason of their ownership thereof, the Holders will be entitled to be paid out of the assets of the Company available for distribution to its stockholders an amount with respect to each share of Series B Preferred Stock equal to (i) the Stated Value plus (ii) any accrued but unpaid dividends, the Default Adjustment, if applicable, Failure to Deliver Fees, if any, (the amounts in this clause (ii) collectively, the "Adjustment Amount").

Conversion Right. At any time following the date which is one hundred eighty (180) days after the Issuance Date, the Holder shall have the right at any time, to convert all or any part of the outstanding Series B Preferred Stock into fully paid and non-assessable shares of Common Stock. The Holders of the Series B Preferred Stock are limited to holding no more than 9.99% of the Common Stock.

Conversion Price. The conversion price (the "Conversion Price") shall equal the Fixed Conversion Price (subject to equitable adjustments by the Company relating to the Company's securities or the securities of any subsidiary of the Company, combinations, recapitalization, reclassifications, extraordinary distributions and similar events). The "Fixed Conversion Price" shall mean $0.20. Notwithstanding anything contained herein to the contrary in the Event of Default, the Conversion Price shall be the lower of the Fixed Conversion Price and the Variable Conversion Price. The "Variable Conversion Price" shall mean 50% multiplied by the Market Price (as defined herein) (representing a discount rate of 50%). "Market Price" means the lowest bid price for the Common Stock during the twenty (20) Trading Day period ending on the latest complete Trading Day prior to the Conversion Date.

The Company will reserve from its authorized and unissued Common Stock a sufficient number of shares, free from preemptive rights, to provide for the issuance of Common Stock upon the full conversion of this Series B Preferred Stock issued. The Company is required at all times to have authorized and reserved four times the number of shares that would be issuable upon full conversion of the Series B Preferred, at any time the Company does not maintain the required Reserved Amount, the Company shall be put on notice by the Holder, and shall have five (5) days to cure its deficiency, after which time, such failure will be deemed an Event of Default hereunder.

During July 2022, the Company issued 448,000 shares of the Series B Preferred Stock in conjunction with a debt financing with two investors (See Note 9). The Company determined that under ASC 480, the Series B Preferred Stock should be treated as Temporary Equity and that it needed to apply the SAB topic 3c (SEC guidance) as well. Upon issuance of the shares, the Company allocated a relative value of $101,368 to the Preferred Stock. Upon issuance, the Company recorded an aggregate value of $461,440, with $360,072 charged to additional paid in capital including the dividends due of $13,440 at September 30, 2022.

The Company breached its covenants in the Convertible Series B Preferred Stock in July 2022. The breached covenant defines as an event of default as any breach of a material covenant or material terms or conditions contained in the Certificate of Designations or in any purchase agreement, subscription agreement or other agreement with any Holder (of the Convertible Series B Preferred Stock). As a result of this event of default, the Stated Value of the preferred stock increased to $1.50 per share and the conversion price became the "the lower of the Fixed Conversion Price ($0.2) or 50% of the lowest closing bid price of the Company's stock in the twenty days prior to a conversion". The Preferred Stock's redemption value was increased by another $224,000 as a result of the default and dividends are now accruing at 22%.

On April 18, 2023, the Company and the Holder of 224,000 Series B Preferred Stock (the "Holder") entered into an Exchange Agreement whereby the Holder exchanged (the "Exchange") 224,000 Series B Preferred Stock of the Company for 224,000 Series C Preferred Stock of the Company which shall have the rights and preferences in the Certificate of Designation of the Series C Preferred Stock as discussed below and for no other consideration.

Between August 2023 to September 2023, the Company issued 2,309,360 shares of common stock to JP Carey Limited Partners, LP for the conversion of 15,500 Series B Preferred Stock and $3,640 accrued dividends.

In December 2023, the Company issued 932,727 shares of common stock to JP Carey Limited Partners, LP for the conversion of 2,850 Series B Preferred Stock and $855 accrued dividends.

Between May 2024 and June 2024, the Company issued 28,230,692 shares of common stock to JP Carey Limited Partners, LP for the conversion of 16,410 Series B Preferred Stock and $11,101 accrued dividends.

At September 30, 2023, there remains 208,500 outstanding Convertible Series B Preferred Stock with stated value of $1.50. At September 30, 2023, the Series B Preferred Stock redemption value amounted to $463,962 (including dividends of $151,211). At June 30, 2024, there remains 189,240 outstanding Convertible Series B Preferred Stock with stated value of $1.50 and would convert into 493,734,000 common shares. During the nine months ended June 30, 2024, the Company charged an additional $70,620 to additional paid in capital for the dividend of the preferred shares. At June 30, 2024, the Series B Preferred Stock redemption value amounted to $493,734 (including dividends of $209,874).

Mandatory Redeemable Series C Preferred Stock

Certificate of Designation of Series C 3% Preferred Stock

On April 25, 2023, the Company filed a Certificate of Designation for Series C Preferred Stock with the Delaware Secretary of State, designating 1,000,000 shares of preferred stock as Series C Preferred Stock. Each share of Series C Preferred Stock has a par value of $0.0001 per share and a stated value of $1.00 (the "Stated Value"). The Series C Preferred Stock shall have no right to vote on any matters requiring shareholder approval or any matters on which the shareholders are permitted to vote.

Each share of Series C Preferred Stock is entitled to an annual dividend equal to 3% of the stated value which shall be cumulative, payable solely upon redemption, liquidation or conversion. Upon the occurrence of an event of default, the dividend rate shall automatically increase to 18%.

Upon any liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary or upon any deemed liquidation event, after payment or provision for payment of debts and other liabilities of the Company and after payment or provision for any liquidation preference payable to the holders of any preferred stock ranking senior upon liquidation to the Series C Preferred Stock, if any, but prior to any distribution or payment made to the holders of common stock or the holders of the preferred stock ranking junior upon liquidation to the Series C Preferred Stock, the holders will be entitled to be paid out of the assets of the Company available for distribution an amount equal to the stated value plus any accrued but unpaid dividends, default adjustment, if applicable, and any other fees (collectively the "Adjustment Amount").

The Holder shall have no right at any time to convert all or any part of the outstanding Series C Preferred Stock into shares of common stock.

Mandatory Redemption by the Company. On the date which is the earlier of: (i) December 31, 2023; and (ii) upon the occurrence of an Event of Default (i) or (ii), the Mandatory Redemption Date (December 31, 2023), the Company shall redeem all of the shares of Series C Preferred Stock of the Holders. Within five (5) days of the Mandatory Redemption Date, the Company shall make payment to each Holder of an amount in cash, or kind, equal to (i) the total number of Series C Preferred Stock held by the applicable Holder, multiplied by (ii) the then current Stated Value (including but not limited to the addition of any accrued, unpaid dividends and the Default Adjustment, if applicable) (the "Mandatory Redemption Amount"). The value of any payment in kind shall be as agreed between the Company and respective the Holder.

Upon the occurrence and during the continuation of any Event of Default (other than as set forth in Section 8ai of the amendment which is the failure to redeem), the Stated Value shall immediately be increased to $1.50 per share of Series C Preferred Stock; and upon the occurrence and during the continuation of any Event of Default specified in Section 8ai which is the failure to redeem, the Stated Value shall immediately be increased to $2.00 per share of Series C Preferred Stock (the amounts referred to herein shall be referred to collectively as the "Default Adjustment"). In the event of a Default Adjustment, the Company shall immediately, upon the demand of the Majority Holders, redeem the issued and outstanding Series C Preferred Stock and pay to the Holders the amount which is equal to (i) the number of shares of Series C Preferred Stock held by such Holders multiplied by (ii) the Stated Value plus any Adjustment Amount. Upon any Event of Default set forth in Section 8(A)(ix), provided that there is no other default, no Default Adjustment shall occur; however, the Company shall immediately, upon the demand of the Majority Holders, redeem the issued and outstanding Series C Preferred Stock and pay to the Holders the amount which is equal to (i) the number of shares of Series C Preferred Stock held by such Holders multiplied by (ii) the Stated Value plus any Adjustment Amount.

ASC 480, *Distinguishing Liabilities from Equity,* defines mandatorily redeemable financial instruments as any financial instruments issued in the form of shares that have an unconditional obligation requiring the issuer to redeem the instrument by transferring its assets at a specified or determinable date (or dates) or upon an event that is certain to occur. A mandatorily redeemable financial instrument shall be classified as a liability unless the redemption is required to occur only upon the liquidation or termination of the reporting entity. Under ASC 480, mandatorily redeemable financial instruments shall be measured initially at fair value. Due to the mandatory redemption feature, ASC 480 requires that these Series C Preferred Stock be classified as a liability rather than as a component of equity, with preferred annual returns being accrued and recorded as interest expense.

As a result of the Exchange of 224,000 shares of Convertible Series B Preferred Stock for Series C Preferred Stock on April 18, 2023 (see above), there were 224,000 shares of Series C Preferred Stock issued and outstanding as of September 30, 2023 and June 30, 2024. The Series C preferred shares are mandatorily redeemable by the Company and are therefore classified as a liability for $336,000 (based on the $1.50 stated value) as reflected in the consolidated balance sheet as of September 30, 2023. There was no gain or loss recognized in connection with the Exchange Agreement. On December 31, 2023, the Company failed to redeem the Mandatory Redemption Amount and as such the Stated Value increased to $2.00 and therefore the liability increased to $448,000 as of June 30, 2024. Consequently, the Company recognized interest expense of $112,000 related to this liability during the nine months ended June 30, 2024.

At June 30, 2024 and September 30, 2023, the Series C Preferred Stock redemption value amounted to $496,915 (including dividends of $48,915) and $340,572 (including dividends of $4,572), respectively.

NOTE 11 - STOCKHOLDERS' DEFICIT

Preferred Stock

As of June 30, 2024, 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 2,999,750 remain available for designation and issuance.

As of June 30, 2024 and September 30, 2023, 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.

See Note 10, regarding the issuance of Series B and Series C Preferred Stock and the related designations.

Common Stock

As of June 30, 2024 and September 30, 2023, there were 49,623,830 and 9,306,954, shares outstanding, respectively.

Reverse Stock Split

On July 11, 2023, the Company filed a certificate of amendment to its certificate of incorporation, as amended, to effect a one-for-one thousand (1:1,000) Reverse Stock Split, effective as of July 17, 2023. Proportional adjustments for the Reverse Stock Split were made to the Company's outstanding stock options, warrants and equity incentive plans. All share and per-share data and amounts have been retroactively adjusted as of the earliest period presented in the consolidated financial statements to reflect the Reverse Stock Split.

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 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 June 30, 2024, 84 awards remain available for grant under the Plan.

Equity Financing Agreement with GHS Investments, LLC

On October 5, 2023, the Company entered into an Equity Financing Agreement (the "Equity Financing Agreement") with GHS Investments, LLC, a Nevada limited liability company ("GHS"). Under the terms of the Equity Financing Agreement, GHS will purchase, at the Company's election, up to $10,000,000 of the Company's registered common stock (the "Shares").

During the term of the Equity Financing Agreement, the Company may at any time deliver a "put notice" to GHS thereby requiring GHS to purchase a certain dollar amount of the Shares. Simultaneous with the delivery of such Shares, GHS shall deliver payment for the Shares. Subject to certain restrictions, the purchase price for the Shares shall be equal to 80% of the Market Price during the Pricing Period as such capitalized terms are defined in the Agreement. Following an up-list to the

NASDAQ or an equivalent national exchange by the Company, the Purchase price shall mean ninety percent (90%) of the lowest volume weighted average price ("VWAP") during the relevant Pricing Period, subject to a floor of $0.0135 per share, below which the Company shall not deliver a Put.

The number of Shares sold to GHS shall not exceed the number of such shares that, when aggregated with all other shares of common stock of the Company then beneficially owned by GHS, would result in GHS owning more than 4.99% of all of the Company's common stock then outstanding. Additionally, GHS may not execute any short sales of the Company's common stock. Further, the Company has the right, but never the obligation to draw down. No shares have been sold as of the date of this report.

The Equity Financing Agreement shall terminate (i) on the date on which GHS shall have purchased Shares pursuant to the Equity Financing Agreement for an aggregate Purchase Price of $10,000,000, or (ii) on the date occurring 24 months from the date on which the Equity Financing Agreement was executed and delivered by the Company and GHS.

As a condition for the execution of the Equity Financing Agreement by GHS, the Company is obligated to issue $20,000 worth of shares to GHS ("Commitment Shares"). These shares have not been issued as of the date of filing of this report. The Company recorded accrued expense of $20,000 as of June 30, 2024.

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 nine months ended June 30, 2024 and 2023.

For the nine months ended June 30, 2024, a summary of the Company's stock options activity is as follows:

	Number of Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)	Weighted-Average Grant-Date Fair Value	Aggregate Intrinsic Value
Outstanding at September 30, 2023	16	$ 220,000	0.97	$ -	$ -
Outstanding and Exercisable at June 30, 2024	16	$ 220,000	0.22	$ -	$ -

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

Warrants

For the nine months ended June 30, 2024, a summary of the Company's warrant activity is as follows:

	Number of Warrants	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)	Weighted-Average Grant-Date Fair Value	Aggregate Intrinsic Value
Outstanding and exercisable at September 30, 2023	2,240,000	$ 0.20	5.50	$ 0.20	$ -
Outstanding and exercisable at June 30, 2024	2,240,000	$ 0.20	4.75	$ 0.20	$ -

There were no new warrants issued during the nine months ended June 30, 2024.

NOTE 12 - RELATED PARTY TRANSACTIONS

On October 1, 2016, the Company entered into employment agreements with the Company's President and CEO which 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 for a period of five years to provide an annual salary of $624,000 along with the aforementioned benefits including education reimbursement. The Company recognized expenses of $468,000 for the nine months ended June 30, 2024 and 2023, respectively, for the CEO's base compensation.

The Company had certain promissory notes payable to related parties (see Note 7).

NOTE 13 - 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. A company representative and the previous owners have been in contact. An informal oral agreement with the Seller was made whereby the Company had been paying the previous owners $3,000 per month. The Company is no longer paying the previous owner $3,000 a month. A company representative informed the previous owner that the Company will resume the $3,000 payment as soon as it is able to do so (see Note 6).

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 and the expiration of statute of limitations.

BANTEC, INC. AND SUBSIDIARIES
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2024
(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. On May 2, 2023, the Company reached a settlement agreement with a former vendor which had a pending legal action against the Company concerning services rendered having outstanding amounts owed of $219,613. The Company agreed to pay a total of $110,000 in total, consisting of a cash payment of $25,000 and a note payable of $85,000 (having a 3% annual interest). The Company will pay $2,472 for 36 months. The Company did not make payments during the nine months ended June 30, 2024 and the balance remains accrued at June 30, 2024.

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 an intermediary consultant structured a repayment plan with this vendor and other vendors as well.

On May 14, 2024, the Company was served with a lawsuit (Case No. 2024-05888) in the Circuit Court of Fairfax County, Virginia brought by 1800 Diagonal Lending, LLC. The Plaintiff alleges that the Company breached the terms of four Promissory Notes, issued in July, September, October and December of 2023, and seeks recovery of monetary damages in the amount of $318,392.00, and equitable relief. On July 17, 2024, the Company filed an answer to 1800 Diagonal Lending's lawsuit. The Company denied all of 1800 Diagonal Lending's claims and asserted twenty-five affirmative defenses. The case details are included in the Circuit Court of Fairfax Couty case number: 2024-05888 (see Note 9).

Settlements

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 June 30, 2024 and September 30, 2023; however there is no default interest or penalty associated with the default.

On June 23, 2023, Howco entered into a settlement agreement with Crane Machinery Inc. (CMI). Howco agreed to pay $16,500 with an initial settlement of $2,000, to be followed by five monthly installments of $2,900, until paid in full. As of June 30, 2024, the settlement amount has been fully paid.

As of June 30, 2024, the Company has received demand for payment of past due amounts for services by several consultants and service providers.

Commitments

Lease Obligations

On April 16, 2023, Howco renewed its office and warehouse lease for an additional three years. The initial year (commencing on June 1, 2023) monthly lease payment is $4,542, in years two and three the monthly lease payments are $4,679 and $4,819 respectively. Monthly common charges at $1,481 for the first year, subject to change in years two and three.

The Company recognized a right-of-use asset of and a lease liability of $140,561 in fiscal 2023 and represents the fair value of the lease payments calculated as present value of the minimum lease payments using a discount rate of 12% 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:

	June 30, 2024	September 30, 2023
Operating lease at inception	$ 140,561	$ 140,561
Less accumulated reduction	(45,100)	(13,285)
Balance ROU asset	$ 95,461	$ 127,276

BANTEC, INC. AND SUBSIDIARIES
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2024
(Unaudited)

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

	June 30, 2024	September 30, 2023
Operating lease liabilities at inception	$ 140,561	$ 140,561
Reduction of lease liabilities	(43,447)	(12,735)
Total lease liabilities	$ 97,114	$ 127,826
Less: current portion	(47,156)	(41,946)
Lease liabilities, non-current	$ 49,958	$ 85,880

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

Total minimum operating lease payments	$ 109,284	$ 150,298
Less discount to fair value	(12,170)	(22,472)
Total lease liability	$ 97,114	$ 127,826

Future minimum lease payments under non-cancellable operating leases at June 30, 2024 are as follows:

Years ending September 30,	Amount

2024 (remainder)	$	14,035
2025		56,701
2026		38,548
Total minimum non-cancelable operating lease payments	$	109,284

The weighted average remaining lease term for the operating lease is 1.92 years as of June 30, 2024.

In December 2019, the Company relocated its primary office to 195 Paterson Avenue, Little Falls, New Jersey, under a one-year lease with a renewal option having monthly payments of $500. On April 30, 2023, the Company ended its lease at 195 Paterson Avenue Little Falls, NJ. On May 9, 2023, the Company signed an application to deliver its mail at 37 Main Street, Sparta, NJ for $79 per month.

For the nine months ended June 30, 2024 and 2023, rent expense for all leases amounted to $55,760 and $57,356, respectively.

NOTE 14 - 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 June 30, 2024, cash in a bank did not exceed the federally insured limits. The Company has not experienced any losses in such accounts through June 30, 2024.

Economic Concentrations

With respect to customer concentration, one customer accounted for approximately 83% of total sales for the nine months ended June 30, 2024. With respect to customer concentration, one customer accounted for approximately 85% of total sales for the nine months ended June 30, 2023.

With respect to accounts receivable concentration, one customer accounted for 90% of total accounts receivable at June 30, 2024. With respect to accounts receivable concentration, two customers accounted for 88% and 10% of total accounts receivable at September 30, 2023.

With respect to supplier concentrations, two suppliers accounted for approximately 14 and 10%% of total purchases for the nine months ended June 30, 2024. With respect to supplier concentrations, one supplier accounted for approximately 14% of total purchases for the nine months ended June 30, 2023.

With respect to Howco accounts payable concentration, three suppliers accounted for approximately 20%, 18% and 11% of total accounts payable at June 30, 2024. With respect to Howco accounts payable concentration, three suppliers accounted for approximately 11%, 18% and 20% of total accounts payable at September 30, 2023.

Foreign sales were $0 and $4,509 for the nine months ended June 30, 2024 and 2023, respectively.

NOTE 15 - SUBSEQUENT EVENTS

Convertible Notes for Legal Services

From July 1, 2024 until August 1, 2024, the Company issued $6,000 convertible notes every month to the law firm for fees incurred, each note having six-month term to maturity and 10% annual interest compounded monthly. The notes are convertible into shares of common stock at a fixed discount of 70% of the lowest bid price in the 10 trading days immediately preceding the notice of conversion from the lender. 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 principal amount of these notes will be charged to professional fees during the month the notes were issued. The Company has accounted for the convertible promissory note as stock settled debt under ASC 480 and recorded debt premium of $5,143.

Conversion of Notes

Between July 2024 and August 2024, the Company issued an aggregate of 3,884,424 shares of common stock in conversion of $5,595 principal balance of a convertible note dated in September 2023 (see Note 8). Accordingly, $3,013 of the put premium was released to additional paid in capital upon conversion.

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 that set out anticipated results based on management's plans, estimates 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, 2023, as filed with the SEC on February 5, 2024.

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 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 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. The Company has operations based in Sparta, New Jersey and Vancouver, Washington. The Company continues to seek strategic acquisitions and partnerships that offer us an opportunity to grow sales and profit.

Going Concern

The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern, which contemplates the recoverability of assets and the satisfaction of liabilities in the normal course of business. For the nine months ended June 30, 2024, the Company has incurred a net loss of $1,997,461 and used cash in operations of $311,163. The working capital deficit, stockholders' deficit and accumulated deficit was $9,831,723, $19,248,996 and $39,852,981, respectively, at June 30, 2024. In March 2024, the Company received a default notice under certain promissory notes and convertible notes from a lender. The Company defaulted on its Note Payable – Seller in September 2017 and has since defaulted on other promissory notes. As of June 30, 2024, the Company has received demands for payment of past due amounts from several consultants and service providers. It is the 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 the 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 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. However, additional funding may not be available to the Company on acceptable terms, or at all. Any failure to raise capital as and when needed could have a negative impact on the Company's ability to pursue its business plans and strategies, and the Company would likely be forced to delay, reduce, or terminate some or all of its activities, all of which could have a material adverse effect on the Company's business, results of operations and financial condition.

Liquidity and Capital Resources

As of June 30, 2024 we had $302,264 in current assets, including $9,962 in cash, compared to $367,108 in current assets, including $35,443 in cash, at September 30, 2023. Current liabilities at June 30, 2024, totaled $10,133,987 compared to $8,352,264, at September 30, 2023. The decrease in current assets from September 30, 2023 to June 30, 2024 is primarily due to decreases in: cash of $25,481 and inventory of $81,056. The increase in current liabilities from September 30, 2023 to June 30, 2024, of approximately $1,781,723, is primarily due to the increases in: accounts payable of approximately $39,000, convertible notes of approximately $377,000, notes and loans payable of $412,000, accrued expenses and interest of approximately $822,000, and mandatorily redeemable liability of approximately $156,000. While we had generated revenues from UAV sales from the prior year, 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.

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

	For the Nine Months June 30, 2024	For the Nine Months June 30, 2023
Net Cash Used in Operating Activities	$ (311,163)	$ (479,809)
Net Cash Used in Investing Activities	$ (1,558)	$ -
Net Cash Provided by Financing Activities	$ 287,240	$ 337,195
Net Decrease in Cash	$ (25,481)	$ (142,614)

For the nine months ended June 30, 2024, net cash used in operating activities of $311,163, is largely the result of net losses of $1,997,461, partially offset by non-cash charges for premiums on stock settled debt of approximately $165,000, debt discount amortization of $167,000, fees notes issued of $42,000, non-cash interest expense of $216,000 and increase from changes in assets and liabilities of approximately $1,095,000 primarily due to increases in accounts payable and accrued expenses of approximately $1,014,000 and decrease in inventory of approximately $81,000.

For the nine months ended June 30, 2023, Net cash used in operating activities of $479,809, is largely the result of net losses of $2,255,726, partially offset by non-cash charges for premiums on stock settled debt of approximately $156,000, debt discount amortization of $277,000, fees notes issued of $156,000 and increase from changes in assets and liabilities of $1,168,000 primarily due to increase in accounts payable and accrued expenses of $1,107,000.

During the nine months ended June 30, 2024, net cash used in investing activities of $1,558 which relates to purchase of equipment as compared to $0 during the nine months ended June 30,2023.

During the nine months ended June 30, 2024, cash provided by financing activities of $287,240 is largely the result of loan advances from related parties of approximately $55,000, net proceeds from loans and notes payable of $987,000, net proceeds from convertible notes of approximately $35,000, and proceeds from line of credit of $15,000 partially offset by repayments of convertible notes of $20,000 and various debts including loans and other financing arrangements at Howco for a total of approximately $685,000, and repayments on notes payable- related party of approximately $99,000.

For the nine months ended June 30, 2023, Cash provided by financing activities of $337,195 is largely the result of common stock sales for cash of approximately $99,000, loan advances from related parties of $245,000, net proceeds from notes payable of $118,000 partially offset by repayments of various debts including loans and other financing arrangements at Howco for a total of approximately $145,000.

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

Results of Operations

Three months Ended June 30, 2024 and 2023

We generated sales of $751,035 and $590,333 for the three months ended June 30, 2024 and 2023, respectively, an increase of approximately $161,000, or

27%. For the three months ended June 30, 2024 and 2023, we reported cost of goods sold of $643,511 and $489,822, respectively, an increase of approximately $154,000, or 31%. The increase in sales is primarily attributable to the increase in sales to one of our major customers. The cost of goods sold increased for the three months ended June 30, 2024 as compared to the three months ended June 30, 2023 is due to higher sales over the last three months. Gross margins were 14% and 17% for the three months ended June 30, 2024 and 2023, respectively.

For the three months ended June 30, 2024 and 2023, we reported selling, general, and administrative expenses of $488,469 as compared to $397,360, an increase of approximately $91,000, or 23%. For the three months ended June 30, 2024, and 2023, selling, general, and administrative expenses consisted of the following:

	For the Three Months ended June 30, 2024	For the Three Months ended June 30, 2023
Compensation and related benefits	$ 257,620	$ 133,959
Professional fees	158,064	177,283
Other selling, general and administrative expenses	72,785	86,118
Total selling, general and administrative expenses	$ 488,469	$ 397,360

The increase in selling, general, and administrative costs for three months ended June 30, 2024 as compared to the three months ended June 30, 2023 was primarily attributable to the increase in compensation of approximately $124,000 due to the employee retention tax credit received in prior period offset by decreases in professional fees of approximately $19,000 primarily due to decrease in accounting fees and decrease in other selling, general and administrative costs of approximately $13,000 due to cost cutting measures we implemented during that period.

For the three months ended June 30, 2024, and 2023, other expense amounted to $193,924 and $346,534 respectively, a decrease of approximately $153,000. The decrease was attributable to a decrease in amortization of debt discount from our promissory notes and convertible notes.

As a result, we reported net loss of $574,869 and $643,383 for the three months ended June 30, 2024 and 2023, respectively.

The Company has incurred dividend charges from Series B and C preferred stock of $46,008 and $34,931, for the three months ended June 30, 2024 and 2023, respectively. The dividends to be paid are included in temporary equity and mandatorily redeemable preferred stock presented as liability as reflected on the condensed consolidated balance sheet.

As a result, we reported net loss available to common stockholders of $620,877, or $0.03 per common share, and $678,314, or $0.10 per common share, for the three months ended June 30, 2024 and 2023, respectively.

Nine months ended June 30, 2024 and 2023

We generated sales of $2,478,432 and $1,819,622 for the nine months ended June 30, 2024 and 2023, respectively, an increase of approximately $659,000, or 36%. For the nine months ended June 30, 2024 and 2023, we reported cost of goods sold of $2,126,709 and $1,515,984, respectively, an increase of approximately $611,000, or 40%. The increase in sales is primarily attributable to the increase in sales to one of our major customers. The cost of goods sold increased for the nine months ended June 30, 2024 as compared to the nine months ended June 30,2023 due to higher sales over the last nine months. Gross margins were 14% and 17% for the nine months ended June 30, 2024 and 2023, respectively.

For the nine months ended June 30, 2024 and 2023, we reported selling, general, and administrative expenses of $1,453,853 as compared to $1,393,133, an increase of approximately $61,000, or 4%. For the nine months ended June 30, 2024, and 2023, selling, general, and administrative expenses consisted of the following:

	For the Nine Months ended June 30, 2024	For the Nine Months ended June 30, 2023
Compensation and related benefits	$ 778,267	$ 655,910
Professional fees	459,893	552,571
Other selling, general and administrative expenses	215,693	184,652
Total selling, general and administrative expenses	$ 1,453,853	$ 1,393,133

The increase in selling, general, and administrative costs for nine months ended June 30, 2024 as compared to the nine months ended June 30,2023 was primarily attributable to the increase in compensation of approximately $122,000 due to the employee retention tax credit received in prior nine month period and increase in other selling, general and administrative costs of approximately $31,000 due to increased sales offset by decrease in professional fees of approximately $93,000 primarily due to decrease in accounting fees.

For the nine months ended June 30, 2024, and 2023, other expense amounted to $895,331 and $1,166,231 respectively, a decrease of approximately $271,000. The decrease was primarily due to a decrease in amortization of debt discount of approximately $110,000 and decreased interest expense on the TCA loan which was assigned to Ekimnel in August 2023.

As a result, we reported net loss of $1,997,461 and $2,255,726 for the nine months ended June 30, 2024 and 2023, respectively.

The Company has incurred dividend charges from Series B and C preferred stock of $114,962 and $111,623, for the nine months ended June 30, 2024 and 2023, respectively. The dividends to be paid are included in temporary equity and mandatorily redeemable preferred stock presented as liability as reflected on the condensed consolidated balance sheet.

As a result, we reported net loss available to common stockholders of $2,112,423, or $0.16 per common share, and $2,367,349, or $0.38 per common share, for the nine months ended June 30, 2024 and 2023, respectively.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

Critical Accounting Policies and Significant Accounting Estimates

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

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

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include the allowance for bad debt on accounts receivable, reserves on inventory, valuation of the lease liability and related right-of-use asset, valuation of stock-based compensation, valuation of redeemable preferred stock, 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. The Company maintains an allowance for credit losses primarily for estimated losses resulting from the inability or failure of individual customers to make required payments. The Company maintains an allowance under Accounting Standards Codification ("ASC") 326 based on historical losses, changes in payment history, customer-specific information, current economic conditions, and reasonable and supportable forecasts of future economic conditions. The allowance under ASC 326 is updated as additional losses are incurred or information becomes available related to the customer or economic conditions.

Revenue Recognition

The Company follows Accounting Standards Codification ("ASC") 606, Revenue From Contracts With Customers, which 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 sells a variety of products to government entities. The purchase order 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.

The Company through its subsidiary Howco enters into contracts to package products for a third-party company servicing the same government customer base. The contracts are based on the job lot as shipped to Howco for packaging. The customer is billed upon completion each job lot at which time revenue is recognized.

The Company sells drones and related products manufactured by third parties to various parties, primarily local government entities. The Company also offers technical services related to drone utilization and performs other services. Contracts for drone related products and services 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. 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 year ended September 30, 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 along with non-employee 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.

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

The Company follows ASU No. 2016-02, *Leases*, which requires lessees to report on their balance sheets a right-of-use asset and a lease liability in connection with most lease agreements classified as operating leases. Under the guidance, codified as ASC Topic 842, the lease liability must be measured initially based on the present value of future lease payments, subject to certain conditions. The right-of-use asset must be measured initially based on the amount of the liability, plus certain initial direct costs. ASC 842 further requires that leases be classified at inception as either (a) operating leases or (b) finance leases. For operating leases, periodic expense generally is flat (straight-line) throughout the life of the lease. For finance leases, periodic expense declines over the life of the lease.

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 June 30, 2024, 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 and segregation of duties is lacking. To remediate, 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 June 30, 2024 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

From time to time, we may be involved in litigation relating to claims arising out of our operations in the normal course of business. Other than described herein, neither the Company, nor its officers or directors are involved in, or the subject of, any pending legal proceedings or governmental actions the outcome of which, in management’s opinion, would be material to our financial condition or results of operations.

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. A company representative and the previous owners have been in contact. An informal oral agreement with the Seller was made whereby the Company had been paying the previous owners $3,000 per month. The Company is no longer paying the previous owner $3,000 a month. A company representative informed the previous owner that the Company will resume the $3,000 payment as soon as it is able to do so.

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 and the expiration of the statute of limitations.

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. On May 2, 2023, the Company reached a settlement agreement with a former vendor which had a pending legal action against the Company concerning services rendered having outstanding amounts owed of $219,613. The Company agreed to pay a total of $110,000, consisting of a cash payment of $25,000 and a note payable of $85,000 (having a 3% annual interest). The Company will pay $2,472 for 36 months. The Company did not make payments during the nine months ended June 30, 2024 and the balance remains accrued at June 30, 2024.

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 an intermediary consultant structured a repayment plan with this vendor and other vendors as well.

On May 14, 2024, the Company was served with a lawsuit (Case No. 2024-05888) in the Circuit Court of Fairfax County, Virginia brought by 1800 Diagonal Lending, LLC (the “Plaintiff”). The Plaintiff alleges that the Company breached the terms of four Promissory Notes, issued in July, September, October and December of 2023, and seeks recovery of monetary damages in the amount of $318,392, and equitable relief. On July 17, 2024, the Company filed an answer to 1800 Diagonal Lending’s lawsuit. The Company denied all of 1800 Diagonal Lending’s claims and asserted twenty-five affirmative defenses. The case details are included in the Circuit Court of Fairfax Couty case number: 2024-05888.

Settlements

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 past due and remains unconverted at June 30, 2024 and September 30, 2023; however there is no default interest or penalty associated with the default.

On June 23, 2023, Howco entered into a settlement agreement with Crane Machinery Inc. (CMI). Howco agreed to pay $16,500 with an initial settlement of $2,000, to be followed by five monthly installments of $2,900, until paid in full. As of June 30, 2024, the settlement amount has been fully paid.

As of June 30, 2024, the Company has received demand for payment of past due amounts for services by several consultants and service providers.

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 April 1, 2024, the Company issued the following unregistered securities:

Between April 2024 and June 2024, the Company issued an aggregate of 10,649,960 shares of common stock in conversion of $47,760 principal balance of a convertible note dated in September 2023.

Between May 2024 and June 2024, the Company issued 28,230,692 shares of common stock to JP Carey Limited Partners, LP for the conversion of 16,410 Series B Preferred Stock and $11,101 accrued dividends.

The securities were issued by the Company in reliance on the exemption from the registration requirements under section 4(a)(2) of the Securities Act of 1933 as amended, and the provisions of Regulation D thereunder.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

See Note 8 to the Condensed Consolidated Financial Statements included in Part 1 of this Form 10-Q.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

(d) Exhibits.

The following exhibits are filed with this Current Report on Form 10-Q

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: August 19, 2024

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 ea021168701ex31-1_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 June 30, 2024 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: August 19, 2024

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

EX-31.2 3 ea021168701ex31-2_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 June 30, 2024 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: August 19, 2024

/s/ Michael Bannon

Michael Bannon
Chief Financial Officer
(Principal Financial Officer)

EX-32.1 4 ea021168701ex32-1_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 June 30, 2024, 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: August 19, 2024

/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.