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

FORM 10-K

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

For the Fiscal Year Ended: June 30, 2023

OR

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

For the transition period from: ______ to _____

Commission File No. 000-19333

BION ENVIRONMENTAL TECHNOLOGIES, INC.

(Exact Name of Registrant as Specified in its Charter)

Colorado (State or Other Jurisdiction of Incorporation or Organization) 84-1176672 (I.R.S. Employer Identification Number)

9 East Park Court Old Bethpage, New York 11804

(Address of Principal Executive Offices, Including Zip Code)

Registrant's Telephone Number, including area code: (516) 586-5643

Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class None

Name of Exchange on Which Registered N/A

Securities Registered Pursuant to Section 12(g) of the Act:

Common Stock, No Par Value (Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. \Box YES X No

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. X Yes \square 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 during the preceding 12 months (or for such shorter period that the registrant was required to submit). X Yes \Box NO

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. X

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

| Large accelerated filer | Accelerated filer | |
|-------------------------|---------------------------|---|
| Non-accelerated filer | Smaller reporting company | Х |
| 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 Act) \Box YES X No

The aggregate market value of the approximately 37,000,000 shares of voting stock held by non-affiliates of the Registrant as of June 30, 2023 approximated \$46.5 million. As of August 1, 2023, the Registrant had 49,408,214 shares of common stock issued and 48,703,905 shares of common stock outstanding.

None

FORWARD-LOOKING STATEMENTS

THE RISK FACTORS BELOW ARE FURTHER HEIGHTENED BY THE COVID-19 PANDEMIC AND RESULTING ECONOMIC DOWNTURN AND OTHER RELATED CRISES AS DISCUSSED BELOW.

This Annual Report on Form 10-K (and the documents incorporated herein by reference) contain forward-looking statements, within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), that involve substantial risks and uncertainties. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "may," "will," "expect," "intend," "estimate," "anticipate," "project," "predict," "plan," "believe," or "continue," or the negative thereof or variations thereon and/or references to goals, targets, projections or similar terminology. The expectations reflected in forward-looking statements may prove to be incorrect.

Important factors that could cause actual results to differ materially from our expectations include, but are not limited to, the following (not set forth in any order that ranks priority or magnitude):

- failure of the political, legal, regulatory and economic climate to support funding of environmental clean-up and enforcement of environmental rules and regulations;
- changes in the public's perceptions of large scale livestock agriculture/CAFOs, consumption of meat and dairy, environmental protection and other related issues;
- cybercrimes/hacking (actual and potential) of the Company's online presence and limited operational computer systems; the Company's

 biontech.com domain was hacked/stolen during 2021 and the Company migrated to the bionenviro.com domain name. The Company initiated litigation seeking its recovery and other relief, recovered and subsequently sold the

 biontech.com> domain. See Item 3 "Legal Proceedings" and Note 9 to Financial Statements, "Litigation";
- the Company's extremely limited financial and management resources which need to be augmented and the Company's limited ability to raise additional needed funds and/or hire needed personnel;
- Reactions to the wrap-up of the business activities of Bion PA-1 LLC ("PA1") and/or resolution of PA-1's negotiations with the Pennvest Infrastructure Authority ("Pennvest") regarding PA1's Pennvest Loan (presently in default) and the Kreider 1 System (see "Part I, Items 1 and Item 7 and "Notes to Financial Statements" below);
- continued delays in (and/or failure of) development of markets (or other means of monetization) for nutrient reductions and other environmental benefits from agriculture
 and CAFOs and related waste treatment facilities; including failure of markets for nutrient (nitrogen and phosphorus) reductions to develop sufficient breadth and depth;
- potential delays in constructing the Company's Initial System, the initial beef Projects and other Gen3Tech system installations and/or further delays in the Kreider 2
 project and other potential Projects (capitalized items defined in the Item 1 narrative below);
- the ability of the Company to implement its business strategy;
- the extent of the Company's success in the development of Gen3Tech joint ventures ("JVs") and development/operation of Projects and retrofit/remediation of existing
 livestock facilities ("Retrofits") and/or reaching the goals and targets set forth below, especially in light of the fact that at this date the Company has not yet developed its
 first Gen3Tech JV project and that the resources (CAPEX/personnel/expertise) required for development and operation of such projects will need to be sourced from
 outside the Company which has very limited resources in each listed category;
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- dependence upon key personnel and the ability of the Company to keep its existing personnel and their accumulated expertise including the substantial risk of illness or death of one or more key personnel (most of whom are over 70 years of age and/or have existing health vulnerabilities that are exacerbated by the COVID-19 pandemic);
- the need to obtain the services of additional personnel as employees and/or consultants as the Company's business progresses;
- engineering, mechanical or technological difficulties with operational equipment including potential mechanical failure or under-performance of equipment; operating variances from expectations;
- the substantial capital expenditures required for the Company's proposed JVs and development/construction of the Company's proposed Projects and facilities and the related need to fund such capital requirements through commercial banks and/or public or private securities markets;
- the need to develop and re-develop technology and related applications over time;
- operating hazards attendant to the environmental clean-up, CAFO and renewable energy production, fertilizer and/or food retailing and biofuel industries;
- seasonal and climatic conditions;
- decreased availability and increased cost of material and equipment (including those caused by the COVID-19 pandemic and supply chain challenges);
- the strength and financial resources of the Company's potential competitors;
- general economic, Covid-19 pandemic (see Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 1 to Financial Statements, "Covid-19 pandemic related matters") and capital market conditions;
- industry risks, including environmental related problems;

- delays in anticipated permit approval and/or start-up dates;
- the limited liquidity of the Company's equity securities; limited availability of capital on acceptable terms for small public companies like Bion in the current financial markets; and
- the Company's limited ability to comply with current and rapidly evolving ESG (environmental, social and governance) related items to date (which is due in large part to
 the Company's small size and the fact that the Company has engaged in almost no new hiring 'in house' during the past decade combined with the Company's limited
 financial capacity and the particular industry segments in which the Company is working) may inhibit the Company's ability to raise capital and increase its shareholder
 base.

We do not undertake and specifically disclaim any obligation to publicly release the results of any revisions that may be made to any forward-looking statements to reflect the occurrence of anticipated or unanticipated events or circumstances after the date of such statements.

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PART I

ITEM 1. BUSINESS.

GENERAL

Summary and Overview

Bion Environmental Technologies, Inc.'s ("Bion," "Company," "We," "Us," or "Our") was incorporated in 1987 in the State of Colorado. Bion's mission is to create extraordinary value for our shareholders and employees (all of whom own securities in the Company) while delivering premium, sustainable meat products to our customers (and other stakeholders) through ventures developing profitable, transparent, and environmentally sustainable solutions for livestock agriculture. Bion's third generation technology-based platform ("Gen3Tech Platform") provides comprehensive environmental treatment for large-scale livestock waste streams (and other organic waste streams), while simultaneously recovering resources that have traditionally been wasted or underutilized. Bion's platform performs the dual benefits of improving profitability of production by upcycling those resources into value-added byproducts, while preventing their release to the environment, where they contribute to surface- and groundwater and air pollution, climate change, and other air quality issues.

Bion has identified three distinct market opportunities for the Gen3Tech platform and its core Ammonia Recovery System ("ARS") technology that captures, stabilizes, and upcycles ammonia into low-carbon and/or organic pure nitrogen fertilizers. Bion intends to pursue: 1) a unique opportunity to 'reimagine' beef production (within the existing industry supply chain) to produce premium and sustainable grain-finished beef, with minimal impacts to water, soil, and air, and better economics to its producers; 2) technology licensing and/or joint venture opportunities internationally and in the U.S. for post-anaerobic digester use of our ARS: a) dairy applications, and b) treatment of organic waste streams from food waste, food processing waste, biofuels, and other organic waste streams whose processes include anaerobic digestion to produce renewable energy; and 3) retrofit of existing large-scale livestock facilities, of which there are hundreds of operations in the U.S. alone (if not thousands – the exact number is not reported).

Currently, Bion's efforts are primarily focused on the sustainable beef production opportunity. We believe there is tremendous room for improvement in the beef production in this country. The beef industry today faces a wide range of challenges, from a fragmented commodity-producing industry with narrow margins to antiquated and inefficient production practices. Beef production and consumption is a primary target of the global 'anti-meat' messaging campaign from consumer, investor, and environmental advocacy groups (and the industry's competitors in the alternative plant-based and cellular protein spaces). Bion intends to produce truly sustainable beef, certified by USDA, with dramatic, third-party verified reductions in the negative environmental effects by mitigating nutrient, greenhouse gas, and other environmental impacts. To accomplish Bion's goal, we will partner with producers and other technology companies who provide solutions for different links of the beef value chain. Our joint venture/strategic partner-focused business model is designed to deliver a premium sustainable product to the consumer and increased profitability up and down the supply chain.

During September 2023, Bion successfully completed the initial startup of its patented Ammonia Recovery System ("ARS)" at its commercial-scale demonstration and optimization facility near Fair Oaks, Indiana. The facility has now commenced an operational 'optimization' phase during which modules will be tested/stressed to determine their operational characteristics and establish the best parameters (and related control systems) for long term operation. We have begun varying the ARS's operating parameters with the goal of meeting and/or exceeding the results needed for Bion's economic models for large-scale commercial projects. The Company expects the current optimization phase will continue during the next quarter (or longer) and provide data required to support final design/engineering for commercial project modules. We believe this data will also provide additional potential stakeholders (cattle producers, cattle feeders, packers, distributors, retailers and financial institutions) with the information they need to proceed with confidence in collaborating with Bion on multiple new projects. The ARS is the core of the Gen3Tech platform. Once its operations have been optimized, Bion will be able to begin final design to support permitting, and financing of its first commercial beef project.

To Bion's knowledge, there is no comprehensive treatment solution for beef manure waste other than our Gen3Tech Platform. Further, Bion's business model, which addresses the entire supply chain, creates additional opportunities to improve on both environmental impacts and production efficiencies. Bion has 30 years of experience in livestock waste management and is building a world class team, focused on beef. We believe we have a significant advantage as the \$66 billion U.S. beef industry contends with its environmental impacts, inherent inefficiencies, and a changing consumer demographic.

Our patented and proprietary technology provides advanced waste treatment and resource recovery for large-scale livestock production facilities (also known as "Concentrated Animal Feeding Operations" or "CAFOs"). Livestock production and its waste, particularly from CAFOs, has been identified as one of the greatest soil, air, and water quality problems in the U.S. today. Application of our third generation technology ("Gen3Tech") and business/technology platform in conjunction with other industry practices ("Gen3Tech Platform") or "Platform") can largely mitigate these environmental problems, while simultaneously improving operational/ resource efficiencies by recovering high-value co-products from the CAFOs' waste stream "these waste stream "assets" – including primarily nutrients and methane – have traditionally been wasted or underutilized and are the same "pollutants" that today fuel harmful algae blooms, contaminate groundwater, pollute the air and exacerbate climate change.

During the first half of 2022 Bion began pre-marketing our sustainable beef opportunity to retailers, food service distributors and the meat industry in the U.S. In general, the response has been favorable. During July 2022, Bion announced a letter of intent ("Ribbonwire LOP") to develop a large-scale commercial project - a 15,000-head sustainable beef cattle feeding operation together with the Ribbonwire Ranch, in Dalhart, Texas (with a provision to expand to 60,000 head) ("Dalhart Project"). During January 2023 Bion announced a letter of intent ("Olson LOP") to develop a large-scale commercial project - a 15,000-head sustainable beef cattle feeding operation together with the Olson Feeders and TD Angus, near North Platte, Nebraska (with a provision to expand to 45,000 head or more) ("Olson Project"). During April 2023 Bion announced a letter of intent ("DVG LOP") to develop a large-scale commercial project - a 15,000-head sustainable beef cattle feeding operation together with the Olson Feeders and TD Angus, near North Platte, Nebraska (with a provision to expand to 45,000 head or more) ("Olson Project"). During April 2023 Bion announced a letter of intent ("DVG LOP") to develop a large-scale commercial project - a 15,000-head sustainable beef cattle feeding operation together with Dakota Valley Growers near Bathgate, North Dakota ("DVG Project"). Based on our experience to date, we believe we will not have great difficulty in securing participation from additional feeders/cattlemen in our Projects. The Olson, Dalhart and DVG Projects (and subsequent Projects) will be developed to produce blockchain-verified, sustainable beef in customized covered barns (resulting in reduced stress on cattle caused by extreme weather and temperatures and resulting higher feed/weight gain efficiency) with ongoing manure transfer (through slatted floors) to anaerobic digesters (AD) to capture nitrogen/ammonia from the manure stream before loss to the atmosphere and generate renewable natural gas (RNG) for sale while remediating

environmental/carbon impacts usually associated with cattle feedlots and CAFOs. Bion's patented Gen3Tech platform will refine the waste stream into valuable coproducts that include clean water, RNG, photovoltaic solar electricity and fertilizer ('climate smart' and/or organic) products. We anticipate converting these LOIs into definitive JV agreements and creating related distribution agreements with key retailers and food service distributors during the current fiscal year and the balance of 2024.

Bion's business model and technology platform can create the opportunity for joint ventures (in various contractual forms)("JVs") between the Company and large livestock/food/fertilizer industry participants based upon the supplemental cash flow generated by implementation of our Gen3Tech business model, which cash flows will support the costs of technology implementation (including servicing related debt). We anticipate this will result in substantial long-term value for Bion. In the context of such JVs, we believe that the verifiable sustainable branding opportunities (conventional and organic) in meat will represent one of the single largest enhanced revenue contributors provided by Bion to the JVs (and Bion licensees). The Company believes that the largest portion of its business with be conducted through such JVs, but a material portion may involve licensing and or other approaches.

Bion's Gen3Tech was designed to capture and stabilize these assets and produce renewable energy, fertilizer products, and clean water as part of the process of raising verifiably sustainable livestock. All steps and stages in the treatment process will be third-party verified, providing the basis for additional revenues, including renewable energy-related credits and, eventually, payment for ecosystem services, such as nutrient credits as described below. The same verified data will be used to substantiate the claims of a USDA-certified sustainable brand that will support premium pricing for the meat/ animal protein products that are produced in Bion facilities.

Our business plan is focused on executing multiple agreements and letters of intent related to additional sustainable beef JV projects over the next twenty-four (24) months while moving forward with the Initial Project (see below) and commencing development of one or more of the Dalhart/Olson/DVG Projects ("LOI Projects")(and/or other Gen3Tech beef JV projects) while pursuing other opportunities in the livestock industry enabled by our Gen3Tech business model. The LOI announcements have generated significant interest within the livestock industry (among ranchers, feedlot operators, farmers and other AG industry parties) and has led to and assisted our discussions with many 'major s'--large national and regional agriculture/livestock industry companies (including those involved with distribution and/or sales of meat products) in the country which are ongoing at this date. We believe that this interest, combined with consumer interest in 'sustainable products' and growing enthusiasm among some livestock industry parties for environmental/sustainable/regenerative practices, may provide Bion (and its partners/venturers) with an opportunity to move forward with a truly sustainable solution in this industry segment at a rapid pace.

Based on our endeavors in executing multiple agreements and letters of intent related to the "Bion Beef Opportunity", we intend to commence development of multiple sustainable beef JV projects over the next twelve-eighteen (12-18) months while moving forward with the Initial Project (see below) and one or more of the LOI Projects. Bion also intends to pursue other opportunities in the livestock industry enabled by our Gen3Tech business model.

During the past nine months, the Company has constructed (construction is largely completed) our 3GTech Ammonia Recovery System ('ARS') at our Initial Project (our commercial scale demonstration facility) located near Fair Oaks, Indiana and begun operations of phase 1 of our Initial Project. We recently announced that the ARS has achieved and maintained controlled steady-state operations under a variety of conditions. When operated at steady state, the system produces an ammonium distillate solution, the base of Bion's nitrogen fertilizer products. Bion has begun optimizing the ARS's operating parameters with the goal of meeting and/or exceeding the results needed for Bion's economic models for large-scale commercial projects. The Company expects the current optimization phase will continue during the next quarter (or longer) and provide data required to support final design/engineering for commercial project modules. We believe this data will also provide additional potential stakeholders (cattle producers, cattle feeders, packers, distributors, retailers and financial institutions) with the information they need to proceed with confidence in collaborating with Bion on multiple new projects (see below).

The patented ARS is the core of Bion's Gen3Tech platform. The ARS recovers and upcycles problem ammonia contained in the effluent from anaerobic digestion (where methane is captured and more ammonia is released) of the livestock manure waste stream. The ARS captures the ammonia, minimizing its environmental impacts and creating low-carbon and/or organic nitrogen fertilizer products with it. Over during the next quarter, the Company intends to produce ammonium distillate at Fair Oaks in several concentrations and initiate the application process for organic certification for each concentration of liquid fertilizer product. Bion will also produce a solid/granular nitrogen fertilizer product at the Initial Project (when the crystalizer module is ready for operation during the next quarter) which we believe will be both 'ClimateSmart' and 'Water-Smart' – a pure nitrogen fertilizer with a low carbon footprint, that is water soluble and readily available to plants. Samples of the granular product will also be utilized to support organic certification applications. See **Fertilizer: Organic and 'ClimateSmart'** below.

During the next three-six months, the Company intends to fully complete construction of the Initial Project's phase 1 (including the crystalizer module) and continue the optimization operations. Bion expects the Initial Project data will document the effectiveness of our Gen3Tech in a commercial-scale setting during the current fiscal year and support development of the LOI Projects (and/or other Gen3Tech beef JV projects) commencing later this fiscal year. We do not presently know the order in which these JV Projects will be developed as that decision will be made based on many factors not yet in place. We believe the Initial Project data will also provide additional potential stakeholders (cattle producers, cattle feeders, packers, food distributors and retailers and financial institutions) with the information they need to proceed with confidence in collaborating with Bion on multiple new projects (see below).

Bion intends to focus primarily on: i) completion of development/construction and operation of the Initial Project, our initial commercial-scale Gen3Tech installation (see below and Notes to Financial Statements), and optimization of its operational parameters, ii) pre-development planning of the Dalhart, Olson and DVG Projects (and/or other Gen3Tech beef JV projects) including steps toward distribution agreements, iii) developing applications and markets for its low carbon 'ClimateSmart' and organic fertilizer products (including listings/certifications of multiple liquid and solid products) and its sustainable (conventional and organic) animal protein products, and iv) discussions regarding initiation and development of agreements and joint ventures ("JVs" as discussed herein) (and related Projects) based on the augmented capabilities of our Gen3Tech business platform (in the sustainable beef and other livestock segments), while (v) continuing to pursue : A) licensing opportunities and B) business opportunities related to large retrofit projects (such as the Kreider poultry project JV described below) and vi) ongoing R&D activities.

At present, there is essentially no traceable and verifiable 'sustainable beef' available to the US market except for niche products. In response to consumer demand for transparency and sustainability, Bion expects the meat industry in general, and beef specifically, to evolve towards using new technologies to deliver these attributes in their products. While we anticipate a faster adoption of tracking, verification and sustainability technologies in other perishable food categories like produce and dairy due to their shorter product cycles (and related harvest and production techniques), meat industry leaders have also announced their willingness to move forward with initiatives in this area. Many companies have announced 'sustainability' initiatives but most appear to consist largely of 'greenwashing' marketing commitments rather than substantive undertakings at this date. Note, however, that Tyson's Brazen beef initiative (which was announced during March 2023) may develop into a substantive competitive factor in the sustainable beef marketplace. Bion predicts that within approximately five years, consumers will be able to track and verify claims including sustainability on 25% (or more) of the products merchandised in the meat department. Bion believes that the retail market share of verifiably sustainable beef in the US will approach 7-10% within three (3) years (end of 2026) and 25% in five (5) years (end of 2028) (approximately 6-7,000,000 cattle annually) (and more thereafter). If Bion can successfully execute on its sustainable beef business plan (which is subject to many contingencies), we believe that JV facilities utilizing Bion's Gen3Tech platform will supply one-third (1/3) or more of that of the premium market segment (and a higher portion of meat that is actually traceable and verifiably sustainable). Our goal is to have multiple sustainable beef projects under development (within 3-5 distinct JVs) by the end of our 2025 fiscal year. Our first commercial project is likely to be one of our current LOI Projects but we anticipate commencing development of additional sustainable beef projects during the current fiscal year as well. Our current target is to have at least three (3) facility modules (15,000 head per module)("Modules") in development and/or under construction during 2024 in three (3) different JVs with the initial barns being populated with livestock during 2025. Further expansion in the number of distinct JVs is projected through 2026-7 aiming at 5-10 JVs in process --- each of which JVs will be pursuing development of multiple Modules with targets of 12-15 populated Modules by the end of 2026 (approximately 2%-3% of the US beef market) and 30-45 Modules constructed and being populated by 2029 (approximately 6%-8% of the US beef market) with further expansion thereafter. Bion's current goal is that its Gen3Tech platform will be utilized to produce 33% of the verifiable "sustainable beef" category at the end of the period (which will equal approximately 2 million cattle annually)(45 Modules).

There is no assurance that the Company will reach or approach the goals/targets set forth above. Reaching such goals/targets will require access to very large amounts of capital (equity and debt) as each module is projected to cost in excess of \$50 million to construct and require mobilization of substantial personnel, technical resources and management skills. The Company does not possess either the financial or personnel resources required internally and will need to source such resources from outside itself.

During this five (5) year period, the Company also anticipates having additional Gen3Tech projects underway in the pork/dairy/egg sectors of the US animal protein market.

In parallel with the business activities outlined above, during the current fiscal year the Company intends to proceed with adding to its senior management personnel, while strengthening its corporate governance (including environmental/social/governance steps ('ESG')) and seeking to 'uplist' its common stock on a national securities exchange improve both liquidity and ability to access capital markets.

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HISTORY, BACKGROUND AND CURRENT ACTIVITIES

Since the Company's inception, Bion has designed and developed advanced waste treatment systems for livestock. The first and second generations of Bion's technology platform were biological systems, primarily focused on nutrient control. Over 30 of these systems were deployed at New York dairies, Florida food processing facilities and dairies, North Carolina hog farms, a Texas dairy and a Pennsylvania dairy ("Kreider 1 Project"). The systems were highly effective at their intended purpose: capturing nitrogen and phosphorus. They produced BionSoil as a byproduct, which was a remarkably effective soil amendment/ fertilizer product, but whose value was not enough to support a viable business model. As such, these early technology iterations were entirely dependent on either implementation of new regulations requiring waste treatment, or subsidy/ incentive programs that would provide 'payment for ecosystem services'. By the mid-2010's, it became apparent that neither of these options were imminent or even assured, so the Company initiated the steps to reimagine and redesign its technology.

From 2016 to 2021 fiscal years, the Company focused most of its activities and resources on developing, testing and demonstrating the third generation of its technology and technology platform ("Gen3Tech") that was developed with an emphasis producing more valuable co-products from the waste treatment process, including renewable natural gas and ammonium bicarbonate, a low-carbon, organic 'pure' nitrogen fertilizer product, while raising sustainable livestock.

The \$175 billion U.S. livestock industry is under intense scrutiny for its environmental and public health impacts – its 'environmental sustainability'– at the same time it is struggling with declining revenues and margins (derived in part from clinging to its historic practices and resulting limitations and impacts) which threaten its 'economic sustainability'. Its failure to adequately respond to consumer concerns including food safety, environmental impacts, and inhumane treatment of animals have provided impetus for plant-based alternatives such as Beyond Meat and Impossible Burger (and many others) being marketed as "sustainable" alternatives for this growing consumer segment of the market (despite the lack of verifiably sustainable attributes).

The Company believes that its Gen3Tech, in addition to providing superior environmental remediation, creates opportunities for large scale production of i) verifiably sustainablebranded conventional livestock products and ii) verifiably sustainable organic-branded livestock products, both of which will command premium pricing (in part due to ongoing monitoring and third-party verification of environmental performance which will provide meaningful assurances to both consumers and regulatory agencies). Each of these two distinct market segments (which the Company intends to pursue in parallel) presents a production/marketing opportunity for Bion (but the former is far larger). Our Gen3Tech will also produce (as co-products) biogas, solar photovoltaic electricity in appropriate locations, and valuable low carbon/organic fertilizer products, which can be utilized in the production of organic grains for use as feed for raising organic livestock (some of which may be utilized in the Company's JV projects) and/or marketed to the growing organic fertilizer market.

During 2022-23, the Company entered into 3 LOIs setting forth the parties' intention to negotiate joint venture agreement ("JVA") and enter into joint ventures ("JV") to develop and operate 15,000 head integrated, sustainable beef facilities (with future expansion under consideration) including:

- a) innovative cattle barns (with slatted floors to facilitate movement of manure to the anaerobic digester and potentially solar PV generation on the rooftops which barns will improve the living conditions of the animals while increasing feeding/weight gain efficiency,
- b) 'customized' anaerobic digestion systems (including pretreatment to increase renewable natural gas ('RNG') production and an RNG cleaning system (which will include capture/recycling of the CO2) to allow pipeline sales and monetization of related environmental credits,
- c) a Bion Gen3Tech module (which will utilize the recycled CO2 to increase ammonia nitrogen/ammonium bicarbonate recovery) for the production of ammonia nitrogen fertilizer for use in organic and/or 'ClimateSmart' low carbon crop production (plus residual organic solids and clean water),
- d) which will produce verifiably sustainable beef products with USDA certified branding.

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The opportunity presented by the LOIs to commercialize the Company's Gen3Tech and business model matured more quickly than anticipated (reflecting strong industry and public momentum in favor of verifiably sustainable food ventures). As a result, we have shifted our plans to focus resources and make our initial 15,000 head operation a reality as soon as possible.

To place the LOI Projects in the context of Company's business plan (and our prior public disclosure), if the contemplated ventures moves forward on the timelines currently contemplated, active development of the initial LOI Project will commence during 2024.

Prior to such activity, the Company has constructed and commenced operation of the initial phase of our previously discussed Gen3Tech demonstration project near Fair Oaks, Indiana ("Initial Project"): i) to validate our existing data and modeling at commercial scale and ii) to optimize the Bion Gen3Tech module for finalization of design parameters and fabrication details of our planned 15,000 head commercial facilities (including the LOI Projects). For the purposes of this initial phase, the Company, in order to accelerate the data acquisition phase, is utilizing anaerobic digester effluent from the nearby/contiguous Fair Oaks dairy. Thereafter, the Company will evaluate what, if any, additional facilities and testing will take place at that location.

The Initial Project is not being developed at economic commercial scale or with an expectation of profitability due to its limited scale. However, successful installation, commissioning, and operations will demonstrate scalability, determine operating parameters at scale, and provide ongoing production and engineering capabilities, all being critical steps that must be accomplished before developing large projects with JV partners.

During September 2021, Bion entered into a lease for the development site of the Initial Project, our initial commercial scale Gen3Tech project, which Initial Project will be located on approximately four (4) acres of leased land near Fair Oaks, Indiana, and a related agreement regarding disposal of certain manure effluent with the Curtis Creek Dairy unit of Fair Oaks Farms ("FOF"). Design and pre-development work commenced during August 2021 and preliminary surveying, site engineering and other work is now underway along with site-specific engineering and design work. The Initial Project was initially planned to be an environmentally sustainable beef cattle feeding facility, equipped with state-of-the-art housing and Bion's 3G-Tech platform to provide waste treatment and resource recovery. Bion has designed the project to house and feed approximately 300 head of beef cattle. If all phases of the Initial Project are constructed, the facility will include Bion's Gen3Tech platform including: i) covered barms (possibly including roof top solar photovoltaic generation), ii) anaerobic digestion for renewable energy recovery, iii) livestock waste treatment and resource recovery technology, iv) Bion's ammonium bicarbonate recovery and crystallization technology and iv) data collection software to document system efficiencies and environmental benefits (with the Bion Gen3Tech facilities capable of treating the waste from approximately 1,500 head). The facility is large enough to demonstrate engineering capabilities of Bion's Gen3Tech at commercial scale, but small enough that it can be

constructed and commissioned relatively quickly. Originally, construction and onsite assembly operations were targeted to commence sometime late in 2022, however, supply chain backlogs (many pandemic associated)delayed delivery dates for core modules of the Bion system to the site until during January 2023. Construction has been substantially completed related to Phase 1 of the Initial Project, shakedown operations undertaken and the operation is now focused on optimization of operation parameters. See Note 3 "Property and Equipment" and Note 12 "Subsequent Events" (for activities since the start of the first quarter of the 2024 fiscal year).

The Initial Project is not being developed at economic commercial scale or with an expectation of profitability due to its limited scale. However, successful installation, commissioning, and operations will demonstrate scalability, determine operating parameters at scale, and provide ongoing production and engineering capabilities, all being critical steps that must be accomplished before developing large projects with JV partners.

Specifically, the Initial Project was designed/developed to provide and/or accomplish the following:

- i. Proof of Gen3Tech platform scalability
 - Document system efficiency and environmental benefits and enable final engineering modifications to optimize each unit process within the Bion Gen3Technology platform.
 - Environmental benefits will include (without limitation) renewable energy production (natural gas recovery from AD and solar electric from integrated roof top photovoltaic generation); nutrient recovery and conversion to stable organic fertilizer; pathogen destruction; water recovery and reuse; air emission reductions.
- ii. Use Bion's data collection system to support 3rd party verified system efficiency requirement to qualify for USDA Process-Verified-Program (PVP): certification of sustainable branded beef (and potentially pork) product metrics.
- iii. Produce sufficient animonium bicarbonate nitrogen fertilizer ("AD Nitrogen") in liquid and solid forms for commercial testing by potential joint venture partners and/or purchasers, for university growth trials and to provide samples (and related documentation) to support applications for organic and/or 'ClimateSmart' certifications.
- iv. Produce sustainable beef products for initial test marketing efforts.

On January 28, 2022 Bion Environmental Technologies, Inc. ('Bion'), on behalf of Bion 3GI LLC ('3GI'), a wholly-owned subsidiary, entered into a Purchase Order Agreement with Buflovak and Hebeler Process Solutions (collectively 'Buflovak') in the amount of \$2,665,500 (and made the initial 25% payment (\$666,375) for the core of the 'Bion System' portion (without the crystallization modules which will be ordered and fabricated pursuant to subsequent agreements) of the previously announced 3G Tech Initial Project. This Purchase Order encompasses the core of Bion's 3G Technology. Subsequent agreements were executed with engineering firms, contractors and other entities related to the construction of the Initial Project. The Company received progress billing in March 2022 and June 2022 for the second and third 25% installments, both of which have been paid as of the filing date. On January 17, 2023 the Company received an invoice from Buflovak for \$533,100 which was paid on March 1, 2023 and on April 24, 2023 for \$83,275 which was paid on May 2, 2023 bringing the aggregate payments to \$2,615,500 as of the date of this filing. There remaining \$50,000 open on the Purchase Order has been billed on July 26,2023. In addition to the Purchase Order, the Company has incurred additional costs of \$4,182,260 on the Initial Project for capitalized interest and costs, non-cash compensation and consulting fees. \$3,962,207 has been paid and \$220,053 has been billed and not yet been paid.

The Initial Project will be carried out in stages with phase one focused largely on portions of items i. and iii. set forth above.

Upon completing the primary goals of phase 1 of the Initial Project (coupled with obtaining organic certifications(s) for our liquid and/or solid ammonium bicarbonate fertilizer product lines), Bion expects to be ready to move forward with its plans for development of much larger facilities such as the LOI Projects, by moving toward final design of its Gen3Tech modules. The Company anticipates that discussions and negotiations it has begun (together with additional opportunities that will be generated over the next 12-24 months) regarding potential JVs with strategic partners in the financial, livestock and food distribution industries to develop large scale projects will continue during the optimization operations of the Initial Project with a 2024 goal of establishing multiple JV's for large scale projects that will produce sustainable and/or sustainable-organic com-fed beef. These products will be supported by a USDA PVP-certified sustainable brand that will, initially, highlight reductions in carbon and nutrient footprint, as well as pathogen reductions associated with foodborne illness and antibiotic resistance, along with the organic designation where appropriate. Bion has successfully navigated the USDA PVP application process previously, having received conditional approval of its 2G Tech platform (pending resubmission and final site audits), and is confident it will be successful in qualifying its Gen3Tech platform.

After the basic technology start-up milestones of the Initial Project (primarily optimization and steady-state operations of the core modules of our Gen3Tech platform) have been met, the Company will determine whether to complete the entire Initial Project as originally designed at that location or the relocate the core modules to an alternative permanent location. The Company has engaged in discussion with the University of Nebraska-Lincoln to jointly develop an integrated beef facility based on Bion's Gen3Tech and business model at its Klosterman Feedyard Innovation Center ("KFIC") (or other mutually agreed upon location) which facility would include innovative barns, an anaerobic digester and a Bion Gen3Tech system to conduct ongoing research and development related thereto and the KFIC is a possible site for the long-term re-location of the core modules. This venture, if it moves forward, is anticipated to include joint preparation of applications for grants and other funding from the USDA ('climate smart' program, rural development, etc.) and other sources. The Company will also evaluate re-locating the core module of the Initial Project to Dalhart, Texas, where it might be integrated into the first phases of the Dalhart Project and/or to other locations.

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Additionally, the Company believes there will also be opportunities to proceed with selected 'retrofit projects' of existing facilities (see 'Gen3Tech Kreider 2 Poultry Project' below as an example) in the swine, dairy and poultry industries utilizing our Gen3Tech.

Gen3Tech Beef Business Model

As one of the largest contributors to some of the greatest air and water quality problems in America, it is clear that livestock waste cleanup, at scale, represents one of the greatest opportunities we have to reduce negative environmental impacts of the food supply chain on air and water quality. Bion's Gen3Tech platform, along with its business model, enables the cleanup of the 'dirtiest' part of the food supply chain: animal protein production and creates the opportunity to produce and market verifiably sustainable organic and conventional 'real meat' products that can participate in the growth and premium pricing that appears to be readily available for the 'right' products.

Bion believes that substantial unmet demand currently exists- potentially very large - for 'real' meat/dairy/egg products that offer the verifiable/believable sustainability consumers seek, but with the taste and texture they have come to expect from American beef and pork, dairy and poultry. Numerous studies demonstrate the U.S. consumers' preferences for sustainability. For example, 2019 NYU Stern's Center for Sustainable Business study found that 'products marketed as sustainable grew 5.6 times faster than those that were not...' and that '...in more than 90 percent of consumer-packaged-goods (CPG) categories, sustainability-marketed products grew faster than their conventional counterparts.' Sales growth of plant-based alternatives, including both dairy and more recently ground meat (Beyond Meat, Impossible Foods, etc.) have shown that a large, but apparently limited, segment of consumers is choosing a seemingly sustainable offering, and are also willing to pay a premium for it. Tyson Foods, in the context of launching its

Brazen beef initiative, recently said, "consumers would be willing to pay at least 24 percent more for environmentally friendly, sustainable options at retail." Numerous studies also support the consumers' 'willingness-to-pay' (WTP) for sustainable choices, including a recent meta-analysis of 80 worldwide studies with results that calculate the overall WTP premium for sustainability is 29.5 percent on average.

In terms of changing customer preferences, 'saving the planet' has proven to be a more compelling argument than the traditional animal activism/ welfare pitch. To date, the primary beef 'industry response' to this has been grass-fed beef, which is regarded as a generally more sustainable offering than grain-fed (largely without support in empirical evidence). However grass-fed beef has had only limited acceptance in U.S. markets, because it is less flavorful and tougher than the traditional com-fed beef consumers have grown to enjoy. Sustainability initiatives have been launched by large US livestock producers (including Tyson's very recent 'Brazen' program), but it is not yet possible to determine the extent the attributes of such products will be substantive and verifiable rather than completely 'modeled' and largely public relations 'greenwashing'.

Advocacy groups targeting livestock and the beef industry have recently been joined by competitors that produce animal protein alternatives in seeking to exploit the industry's environmental and economic weaknesses. Their global anti-meat messaging has had a substantial chilling effect on the relationships the beef industry has with its institutional investors; retail distributors, such as fast-food restaurants; and mostly, its consumers. Led by the United Nations Food and Agriculture Organization, a coordinated anti-meat messaging campaign has targeted consumers worldwide, primarily focused on the industry's impacts on climate change. A 2018 NielsenIQ Homescan survey last year found that 39% of Americans are actively trying to eat more plant-based foods. Some of the recent growth in plant-based proteins results from increasing lactose intolerance and other health concerns; however, most of that growth is attributed to consumers' growing concerns for the environmental impacts of real meat and dairy. Several large US companies that have traditionally focused on livestock production, including Cargill, ADM, Perdue Foods, and Tyson, have also recently entered the plant protein space. However, while meat alternatives, especially plant-based protein producers like Beyond Meat and Impossible Foods, have been heavily promoted (by themselves and the media) and enjoyed remarkable initial sales growth until recently, sales have flattened and/or declined over the past 18 months. It should be noted that these plant-based protein producers are primarily expected to be able to serve the ground/ processed meat market, which represents only about 10 percent of the overall animal protein market. Further, there has recently been pushback to these plant-based products, focusing on their highly processed nature and unproven health benefits, scalability/ pricing, and their uncertain carbon footprint— and market growth rates have substantially slowed and may have already plateaued and/or peaked. There have also been several companie

Each of these items supports Bion's belief that there is a potentially very large opportunity to supply premium verifiably sustainable beef products that address these consumer concerns. We believe that the real meat/beef products that can be cost-effectively produced today using our Gen3Tech platform, both sustainable and/or sustainable organic, can provide an affordable product that satisfies the consumer's desire for sustainability, while providing the superior taste and texture those consumers have grown to prefer.

While the beef industry has largely continued historic practices, the dairy industry has housed milk cows in barns and has been processing cow waste through anaerobic digesters (ADs) to generate energy for years. In recent years the renewable biogas (RNG) from the dairy ADs has become increasingly lucrative due to related environmental credits.

Bion's sustainable beef business model, based on our Gen3Tech platform, will develop and operate large scale facilities that: a) utilize custom designed barns (which enable a more controlled and monitored husbandry environment) and photovoltaic solar electricity generation utilizing the rooftops (where climate conditions permit), b) with continual manure transfer to anaerobic digesters ("ADs"), c) which produce RNG and related environmental revenues, and d) then channel the AD waste (including CO2 recovered from the RNG processing/cleanup) through a series of patented technologies to refine the waste into its various components. The diagram below depicts a simplified facility schematic/flow chart:



This overall business model unites several interrelated businesses driven by Bion's technology and augments and aggregates multiple revenue streams as described below. See "**Technology and Technology Platform**" below for descriptions of the 4 major categories of products/revenue streams which Bion anticipates from its Gen3Tech beef facilities: a) premium 'sustainable branded' beef, b) renewable energy and energy/environmental/carbon-related credits, c) fertilizer products (organic and/or 'ClimateSmart') and d) nutrient credits.

Sustainable Beef

Bion's goal is to be first (or at least early) to market with meaningfully verified sustainable beef products that can be produced at sufficient scale to service national market demand. The cattle produced at Bion facilities will have a substantially lower carbon footprint, dramatically reduced nutrient impacts to water and air, and an almost total pathogen kill in the waste stream. Further, the economics of producing these cattle (including the cost of the facility/technology upgrade) will be greatly enhanced by the revenue realized from the recovery of valuable resources, including renewable energy, high-value fertilizer products, and clean water.

A Bion sustainable beef facility (see diagram above) will be comprised of covered barns with slotted floors (allowing the waste to pass through) which will reduce ammonia volatilization and loss to the atmosphere, as well as odors, thereby improving animal health and human working conditions while preventing air/soil/water pollution. The manure will be collected and moved directly to customized anaerobic digestion facilities which will produce renewable natural gas (and re-cycle CO2 from the gas cleaning process). Covered barns will reduce weather impacts on the livestock and have been demonstrated to promote improved general health and weight gain in the cattle housed in them. The barns' very large roof surface area will be utilized (in appropriate geographical locations) for the installation of photovoltaic solar generation systems to produce electricity for the facility, as well as export to the grid. The barn roofs will also be configured to capture rainwater, which, coupled with the water recovered from the treatment process, will reduce the

projects' reliance on current water supplies.

Waste treatment and resource recovery will be provided by Bion's Gen3Tech platform, which Bion believes offers the most comprehensive solution for livestock waste available today. In addition to direct environmental benefits, every pound of nitrogen that is captured, upcycled, and returned to the agricultural nitrogen cycle as high-quality fertilizer (vs lost to contaminate downstream waters), is also a pound of nitrogen that will not have to be produced as synthetic urea or anhydrous ammonia, with their tremendous carbon cost. System performance and environmental benefits will be monitored and verified through third parties, with USDA PVP certification of the sustainable brand that Bion also believes will be the most comprehensive available in the market.

Recently there have been efforts to establish sustainable brands (including USDA PVP certification) for a number of small-scale livestock producers (largely in the grass fed beef category). To date, the reach and extent of such efforts is limited and it is difficult to determine their effectiveness. Additionally, there have been public announcements of initiatives related to beef sustainability (largely focused on the 'cow-calf' segment of the livestock chain) in procurement by major beef processing companies, but a closer look finds that most consist largely of 'green washing' public proclamations in the wake of environmental and social criticism that re-package prior initiatives and lack any significant new substance (excepting Tyson's 'Brazen' announcement this past Spring which appears to have some substance).

At present, there is essentially no traceable and verifiable 'sustainable beef' available to the US market except for niche products. In response to consumer demand for transparency and sustainability, Bion expects the meat industry in general, and beef specifically, to evolve towards using new technologies to deliver these attributes in their products. While we anticipate a faster adoption of tracking, verification and sustainability technologies in other perishable food categories like produce and dairy due to their shorter product cycles (and related harvest and production techniques), meat industry leaders have also announced their willingness to move forward with initiatives in this area. Many companies have announced 'sustainability' initiatives but most appear to consist largely of 'greenwashing' marketing commitments rather than substantive undertakings at this date. Note, however, that Tyson's Brazen beef initiative (which was announced during March 2023) may develop into a substantive competitive factor in the sustainable beef marketplace. Bion predicts that within approximately five years, consumers will be able to track and verify claims including sustainability on 25% (or more) of the products merchandised in the meat department. Bion believes that the retail market share of verifiably sustainable beef in the US will approach 7-10 % within three (3) years (end of 2026) and 25% in five (5) years (end of 2028) (approximately 6-7,000,000 cattle annually) (and more thereafter). If Bion can successfully execute on its sustainable beef business plan (which is subject to many contingencies), we believe that JV facilities utilizing Bion's Gen3Tech platform will supply one-third (1/3) or more of that of the premium market segment (and a higher portion of meat that is actually traceable and verifiably sustainable). Our goal is to have multiple sustainable beef projects under development (within 3-5 distinct JVs) by the end of our 2025 fiscal year. Our first commercial project is likely to be one of our current LOI Projects but we anticipate commencing development of additional sustainable beef projects during the current fiscal year as well. Our current target is to have at least three (3) facility modules (15,000 head per module)("Modules") in development and/or under construction during 2024 in three (3) different JVs with the initial barns being populated with livestock during 2025. Further expansion in the number of distinct JVs is projected through 2026-7 aiming at 5-10 JVs in process --- each of which JVs will be pursuing development of multiple Modules with targets of 12-15 populated Modules by the end of 2026 (approximately 2%-3% of the US beef market) and 30-45 Modules constructed and being populated by 2029 (approximately 6%-8% of the US beef market) with further expansion thereafter. Bion's current goal is that its Gen3Tech platform will be utilized to produce 33% of the verifiable "sustainable beef" category at the end of the period (which will equal approximately 2 million cattle annually)(45 Modules).

There is no assurance that the Company will reach or approach the goals/targets set forth above. Reaching such goals/targets will require access to very large amounts of capital (equity and debt) as each module is projected to cost in excess of \$50 million to construct and require mobilization of substantial personnel, technical resources and management skills. The Company does not possess either the financial or personnel resources required internally and will need to source such resources from outside itself.

Some portion of which sustainable beef will likely be organic (see below).

Sustainable Organic Beef

Bion believes it has a unique opportunity to produce, at scale, affordable com-fed organic beef that is also certified as sustainable. In addition to the sustainable practices described above, organic-sourced beef cows would be finished on organic com, which would be produced using the ammonia nitrogen fertilizer captured by the Gen3Tech platform. Bion believes its meat products will meet consumer demands with respect to sustainability and safety (organic) and and also provide the tenderness and taste American consumers have come to expect from premium conventional American beef that has been missing in current organic beef products. Such products are largely unavailable in the market today. We believe Bion's unique ability to produce the fertilizer needed to grow a supply of relatively low-cost organic com, and the resulting opportunity to produce organic beef, will dramatically differentiate us from potential competitors. This organic opportunity is dependent on successfully establishing Bion's fertilizer products as acceptable for use in organic grain production.

Today, organic beef demand is limited and mostly supplied with grass-fed cattle. While organic ground/ chopped meat has enjoyed success in U.S. markets, grass-fed steaks have seen limited acceptance, mostly resulting from consumer issues with taste and texture. In other words, it's tough. Regardless, such steaks sell for a significant premium over conventional beef. A grain-finished organic beef product is largely unavailable in the marketplace today due to the higher costs of producing organic corn and grain. The exception is offerings that are very expensive from small 'boutique' beef producers. Like all plants, corn requires nitrogen to grow. Corn is especially sensitive to a late-season application of readily available nitrogen – the key to maximizing yields. With non-organic field corn, this nitrogen is supplied by an application of a low-cost synthetic fertilizer, such as urea or anhydrous ammonia. However, the cost for suitable nitrogen fertilizer that can be applied late-season in organic corn production is so high that the late-season application becomes uneconomical, resulting in substantially lower yields – a widely recognized phenomena known as the 'yield gap' in organic production. The yield gap results in higher costs for organic corn that, in turn, make it uneconomical to feed that corn to livestock. As is the case for sustainable but not organic beef, Bion believes there is a potentially large unmet demand for affordable beef products that are both sustainable AND organic, but with the taste and texture consumers have come to expect from American beef. Bion's ability to produce the low-cost nitrogen fertilizer that can close the organic yield (and affordability) gap puts the Company in a unique, if not exclusive at this time, position to participate in JV's that will benefit from this opportunity starting next year.

The demonstrated willingness of consumers to purchase sustainable products (along with numerous research and marketing studies confirming consumers are seeking, and are willing to pay a premium for, sustainable products)----in combination with the threat to the livestock industry market (primarily beef and pork) posed by plant-based alternatives (heightened by pandemic conditions)---- has succeeded in focusing the large scale livestock industry on how to meet the plant-based market challenge by addressing the consumer sustainability issues. The consumer demand for sustainability appears to be a real and lasting trend, but consumers remain skeptical of generalized claims of 'sustainability'. To date, a large portion of the industry responses to this trend have been at a superficial level or consist of 'green washing', a deceptive marketing practice where companies promote non-substantive initiatives. Real sustainability for the livestock industry will require implementation of advanced waste treatment technology at or near the CAFOs – where most of the negative environmental impacts take place.

Fertilizer (Organic and 'ClimateSmart') Listing/Certification Process

The Company has focused a large portion of its activities on developing, testing and demonstrating the 3rd generation of its technology and technology platform ("Gen3Tech") with emphasis on increasing the efficiency of production of valuable co-products from the waste treatment process, including ammonia nitrogen in the form of low carbon and/or organically certified soluble nitrogen fertilizer products. The Company's low concentration ammonium bicarbonate liquid product successfully completed its Organic Materials

Review Institute ("OMRI") application and review process with listing approval during May 2020. During the next 3-4 months the Company intends to file applications with OMRI and the California Department of Food & Agriculture ("CDFA") for a line of higher concentration liquid ammonium nitrogen products (ranging from 6% up to 16% (or higher)) based on production of liquid samples during operation of the Initial Project over the next 2 months. The Company anticipates applying for and obtaining one or more listings/certifications for higher concentration products in our liquid ammonium nitrogen fertilizer line well prior to operational dates for the Company's initial large-scale JV Gen3Tech Sustainable Beef Projects. See Fertilizer: Organic and 'ClimateSmart' below.

Gen3Tech Kreider 2 Poultry Project

Bion has done extensive pre-development work related to a waste treatment/renewable energy production facility to treat the waste from KF's approximately 6+ million chickens (planned to expand to approximately 9-10 million) (and potentially other poultry operations and/or other waste streams) ('Kreider Renewable Energy Facility' or 'Kreider 2 Project'). On May 5, 2016, the Company executed a stand-alone joint venture agreement ("JVA") with Kreider Farms covering all matters related to development and operation of Kreider 2 system to treat the waste streams from Kreider's poultry facilities in Bion PA2 LLC ("PA2"). During May 2011 the PADEP certified a smaller version of the Kreider 2 Project (utilizing our 2nd generation technology) under the old EPA's Chesapeake Bay model. The Company anticipates that if and when new designs are finalized utilizing our Gen3Tech, a larger Kreider 2 Project will be re-certified for a far larger number of credits (management's current estimates are between 2-4 million (or more) nutrient reduction credits for treatment of the waste stream from Kreider's poultry pursuant to the amended EPA Chesapeake Bay model and agreements between the EPA and PA). Note that this Project may also be expanded in the future to treat wastes from other local and regional CAFOs (poultry and/or dairy---including the Kreider Dairy) and/or additional Kreider poultry expansion (some of which may not qualify for nutrient reduction credits). The Company has commenced discussions with Kreider Farms regarding updating the JVA to reflect the capabilities of our Gen3Tech platform and anticipates executing an amended (or new) JVA during the current fiscal year. The Company anticipates that if and when PA2 re-commences work on the Kreider 2 Project, it will submit a new application based on our Gen3Tech. Site specific design and engineering work for this facility have not commenced, and the Company does not yet have financing in place for the Kreider 2 Project. This opportunity is being pursued through PA2. If there are positive developments related to the market for nutrient reductions in Pennsylvania, of which there is no assurance, the Company intends to pursue development, design and construction of the Kreider 2 Project with a goal of achieving operational status for its initial modules during the following calendar year. The economics (potential revenues and profitability) of the Kreider 2 Project, despite its proposed use of Bion's Gen3Tech for increased recovery of marketable by-products and sustainable branding, are based in material part the long-term sale of nutrient (nitrogen and/or phosphorus) reduction credits to meet the requirements of the Chesapeake Bay environmental clean-up. However, liquidity in the Pennsylvania nutrient credit market has not yet developed significant breadth and depth, which lack of liquidity has negatively impacted Bion's business plans and will most likely delay PA2's Kreider 2 Project and other proposed projects in Pennsylvania.

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Bion believes that the Kreider 2 Project and/or subsequent Bion Projects in PA and the Chesapeake Bay Watershed will eventually generate revenue from the sale of: a) nutrient reductions (credits or in other form), b) renewable energy (and related credits), c) sales of fertilizer products, and/or d) potentially, in time, credits for the reduction of greenhouse gas emissions, plus e) license fees/premiums related to a 'sustainable brand'. The Covid-19 pandemic has delayed legislative efforts in Pennsylvania needed to commence its development. However, the Company has had ongoing dialogue with the regional EPA office and the Chesapeake Bay Program Office regarding the potential of the Company's Gen3Tech Kreider2 Project (and other potential projects) to enable Pennsylvania to move forward toward meeting its Chesapeake Bay clean-up goals. We believe that the potential market is very large, but it is not possible to predict the exact timing and/or magnitude of these potential markets at this time.

Technology Deployment: Bion Gen3Tech

Widespread deployment of waste treatment technology, and the sustainability it enables, is largely dependent upon generating sufficient additional revenues to offset the capital and operating costs associated with technology adoption. Bion's Gen3Tech business platform has been developed to create opportunities for such augmented revenue streams, while providing third party verification of sustainability claims. The Gen3Tech platform has been designed to maximize the value of co-products produced during the waste treatment/recovery processes, including pipeline-quality renewable natural gas (biogas) and commercial fertilizer products (approved for organic production and/or 'ClimateSmart' certified). All processes will be verifiable by third parties (including regulatory authorities and certifying boards) to comply with environmental regulations and trading programs and meet the requirements for: a) renewable energy and carbon credits, b) organic and/or 'ClimateSmart' certification of the fertilizer coproducts and c) USDA PVP certification of an 'Environmentally Sustainable' brand, and d) payment for verified ecosystem services. The Company's first patent on its Gen3Tech was issued during 2018. In August 2020, the Company received a Notice of Allowance on its third patent which significantly expands the breadth and depth of the Company's Gen3Tech coverage, and the Company has additional applications pending and/or planned.

Bion's business model and technology platform can create the opportunity for joint ventures s (in various contractual forms) ("JVs") between the Company and large livestock/food/fertilizer industry participants based upon the supplemental cash flow generated by implementation of our Gen3Tech business model, which cash flows will support the costs of technology implementation (including servicing related debt). We anticipate this will result in substantial long term value for Bion. In the context of such JVs, we believe that the verifiable sustainable branding opportunities (conventional and organic) in meat will represent one of the largest enhanced revenue contributors provided by Bion to the JVs (and Bion licensees). The Company believes that the largest portion of its business with be conducted through such JVs, but a material portion may involve licensing and or other approaches.

In parallel with technology development, Bion has worked (which work continues) to implement market-driven strategies designed to stimulate private-sector participation in the overall U.S. nutrient and carbon reduction strategy. These market-driven strategies can generate "payment for ecosystem services", in which farmers or landowners are rewarded for managing their land and operations to provide environmental benefits that will generate additional revenues. Existing renewable energy credits for the production and use of biogas are an example of payment for ecosystem services. Another such strategy is nutrient trading (or water quality trading), which will potentially create markets (in Pennsylvania and other states) that will utilize taxpayer funding for the purchase of verified pollution reductions from agriculture ("nutrient credits") by the state (or others) through competitively-bid procurement programs. Such credits then can be used as a 'qualified offset' by an individual state (or municipality) to meet its federal clean water mandates at significantly lower cost to the taxpayer. Market-driven strategies, including competitive procurement of verified credits, are supported by U.S. EPA, the Chesapeake Bay Commission, national livestock interests, and other key stakeholders. Legislation in Pennsylvania to establish the first such state competitive procurement program passed the Pennsylvania Senate by a bi-partisan majority during March 2019 but has not yet crossed other hurdles required for actual adoption. The Covid-19 pandemic and related francial/budgetary crises have slowed progress for this and other policy initiatives and, as a result, it is not currently possible to project the timeline for completion (or meaningful progress) of this and other similar initiatives (see discussion below).

The livestock industry and its markets are already changing. With our commercial-ready technology and business model, Bion believes it has a 'first-mover advantage' over others that will seek to exploit the opportunities that will arise from the industry's inevitable transformation. Bion anticipates moving forward with the development process of its initial commercial installations utilizing its Gen3Tech, during the current 2024 calendar year. We believe that Bion's Gen3Tech platform and business model can provide a pathway to true economic and environmental sustainability with 'win-win' benefits for at least a premium sector of the livestock industry, the environment, and the consumer, an opportunity which the Company intends to pursue.

The Livestock Problem

The livestock industry is under tremendous pressure from regulatory agencies, a wide range of advocacy groups, institutional investors and the industry's own consumers, to adopt sustainable practices. Environmental cleanup is inevitable and has already begun - and policies have already begun to change, as well. Bion's Gen3Tech was developed for implementation on large scale livestock production facilities, where scale drives both lower treatment costs and efficient co-products production, as well as dramatic environmental

improvements. We believe that scale, coupled with Bion's verifiable treatment technology platform, will create a transformational opportunity to integrate clean production practices at (or close to) the point of production—the primary source of the industry's environmental impacts. Bion intends to assist the forward-looking segment of the livestock industry to bring animal protein production in line with 21st Century consumer demands for meaningful sustainability.

In the U.S. (according to the USDA's 2017 agricultural census) there are over 9 million dairy cows, 90 million beef cattle, 60 million swine and more than 2 billion poultry which provides an indication of both the scope of the problem addressed by Bion's technology, as well as the size of Bion's opportunity. Environmental impacts from livestock production include surface and groundwater pollution, greenhouse gas emissions, animonia, and other air pollution, excess water use, and pathogens related to foodborne illnesses and antibiotic resistance. While the most visible and immediate problems are related to nutrient runoff and its effects on water quality, the industry has recently been targeted by various stakeholder groups for its impacts on climate change.

Estimates of total annual U.S. livestock manure waste vary widely, but start around a billion tons, between 100 and 130 times greater than human waste. However, while human waste is generally treated by septic or municipal wastewater plants, livestock waste – raw manure – is spread on our nation's croplands for its fertilizer value. Large portions of U.S. feed crop production (and most organic crop production) are fertilized, in part, in this manner. Under current manure management practices, 80% or more of total nitrogen from manure, much of it in the form of ammonia, escapes during storage, transportation, and during and after soil application, representing both substantial lost value and environmental costs.

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More than half of the nitrogen impacts from livestock waste come from airborne ammonia emissions, which are extremely volatile, reactive and mobile. Airborne ammonia nitrogen eventually settles back to the ground through atmospheric deposition - it 'rains' everywhere. While some of this nitrogen is captured and used by plants, most of it runs off and enters surface waters or percolates down to groundwater. It is now well-established that most of the voluntary conservation practices, such as vegetated buffers that 'filter' runoff (often referred to as "BMPs" or "Best Management Practices" that have traditionally been implemented to attempt to mitigate nutrient runoff), are considerably less effective than was previously believed to be the case. This is especially true with regard to addressing the volatile and mobile nitrogen from ammonia emissions, because BMPs are primarily focused on surface water runoff, directly from farm fields in current production, versus the re-deposition that takes place everywhere or groundwater flow.

Runoff from livestock waste has been identified in most of our major watersheds as a primary source of excess nutrients that fuel algae blooms in both fresh and saltwater. Over the last several years, algae blooms have become increasingly toxic to both humans and animals, such as the Red Tides on the Florida and California coasts, and the Lake Erie algae bloom that cut off the water supply to Toledo, Ohio, residents in 2014. When the nutrient runoff subsides, it leaves the algae blooms with no more 'food' and the blooms die. The algae's decomposition takes oxygen from the water, leading to 'dead zones' in local ponds, lakes, and ultimately, the Great Lakes, as well as the Chesapeake Bay, Gulf of Mexico, and other estuary waters. Both the toxic algae blooms and the low/no-oxygen dead zones devastate marine life, from shrimp and fish to higher mammals, including dolphins and manatees. U.S. EPA already considers excess nutrients "one of America's most widespread, costly and challenging environmental problems". Nutrient runoff is expected to worsen dramatically in the coming decades due to rising temperatures and increasing rainstorm intensity as a result of climate change.

Nitrate-contaminated groundwater is of growing concern in agricultural regions nationwide, where it has been directly correlated with nutrient runoff from upstream agricultural operations using raw manure as fertilizer. Pennsylvania, Wisconsin, California and Washington, and others, now have regions where groundwater nitrate levels exceed EPA standards for safe drinking water. High levels of nitrate can cause blue baby syndrome (methemoglobinemia) in infants and affect women who are or may become pregnant, and it has been linked to thyroid disease and colon cancer. EPA has set an enforceable standard called a maximum contaminant level (MCL) in water for nitrates at 10 parts per million (ppm) (10 mg/L) and for nitrites at 1 ppm (1 mg/L). Federal regulations require expensive pretreatment for community water sources that exceed the MCL; however, private drinking water wells are not regulated, and it is the owners' responsibility to test and treat their wells. Additionally, groundwater flows also transport this volatile nitrogen downstream where, along its way, it intermixes with surface water, further exacerbating the runoff problem. Like atmospheric deposition, the current conservation practices relied on to reduce agricultural runoff are largely bypassed by this subsurface flow.

Nitrogen and ammonia are also global concerns, with a growing number of harmful algae blooms and recurring dead zones across the world. In the EU, a nitrogen cap has been established that has led to political and social unrest, especially in Ireland and the Netherlands, where farmers are faced with culling their dairy and swine herds by as much as 50 percent. The ability to capture and stabilize their ammonia, so that it can be easily transported away from regions where it is not wanted and then precision applied where and when needed, could have a profound impact on the agricultural economies of these countries that export the majority of the dairy and pork products they produce.

Additionally, in arid climates, such as California, airborne ammonia emissions from livestock manure contribute to air pollution as a precursor to PM2.5 formation, small inhalable particulate matter that is a regulated air pollutant with significant public health risks. Whether airborne or dissolved in water, ammonia can only be cost-effectively controlled and treated at the source-- before it has a chance to escape into the environment where it becomes extremely expensive to 'chase', capture and treat. While not regulated yet, there have been ongoing discussions between the US EPA and the California Air Resources Board (CARB) what potential ammonia regulation might encompass. However, as above, California is moving forward with changes to how it deals with nitrates.

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High phosphorus concentrations in soils fertilized with raw manure are another growing problem. The ratio of nitrogen to phosphorus in livestock waste is fixed, and because manure application rates are calculated based on nitrogen requirements, often phosphorus is overapplied as an unintended consequence. Phosphorus accumulation in agricultural soils reduces its productivity, increases the risk of phosphorus runoff, and represents a waste of a finite resource. Decoupling the nitrogen from the phosphorus would allow them to be precision-applied, independently of each other, when and where needed.

The livestock industry has recently come under heavy fire for its impacts on climate change, which has become a rallying cry for the anti-meat campaign discussed above. Estimates of the magnitude of those impacts vary widely, but the general consensus is that globally, livestock account for 14.5 percent of greenhouse emissions. In the U.S. however, that number drops to 4.2 percent, due to the increased efficiencies of American beef production. The greatest impacts come from direct emissions of methane from enteric fermentation (belches), methane and nitrous oxide emissions from the manure, with arguably the largest being the massive carbon footprint of the synthetic nitrogen fertilizers used to grow the grains to feed the livestock.

Chronic droughts in the west have also impacted the long-term sustainability of some beef herds. Relocation of some beef cattle feeding locations may be required. Access to clean water is an issue of concern that is rising in the world of risks on the ranch.

For decades the livestock industry has overlooked and/or socialized its environmental problems and costs. Today, the impacts of livestock production on public health and the environment can no longer be ignored and are coming under increasing scrutiny from environmental groups and health organizations, regulatory agencies and the courts, the media, consumers, and activist institutional investors. The result has been a significant and alarming loss of market share to plant-based protein and other alternative products. Bion's Gen3Tech platform was designed to resolve these environmental issues and bring the industry in line with twenty-first century consumer expectations.

Technology and Technology Platform

Bion has invested decades of work and substantial capital on the development of our technology and technology platform since 1989. The predecessor to Bion's Gen3Tech platform, our patented second-generation technology ("2G Tech"), was proven at commercial scale and was reviewed and qualified for federal loan guarantees under USDA's Technical Assessment program Bion's 2G Tech dairy project ("Kreider 1" or "KF1"), located at Kreider Farms in Pennsylvania ("PA") received the first verified /measurable nutrient reduction credits from a non-point source livestock facility in the U.S. and its nutrient reductions were verified by the Pennsylvania Department of Environmental Protection ("DEP") during 2012.

Bion's Gen3Tech was developed to avoid the dependence of our 2G Tech systems on the sale of water quality trading credits in order to develop profitable projects. The Gen3Tech platform has been designed to maximize revenues from co-products, including biogas and fertilizer products, achieve premium pricing from USDA PVP-certified 'environmentally sustainable' retail branding of the animal protein products it supports, as well as generate verified credits for still-developing water quality trading programs. The first patent on the Gen3Tech was filed in 2015 for an ammonia recovery process that produces ammonium bicarbonate (a commercial fertilizer) without external chemical additives, thereby providing the basis for organic certification. A Notice of Allowance from the US Patent and Trademark Office ("USPTO") was received during August 2018 related to this patent application and the patent was subsequently issued. Since July 2017 Bion has filed for extensions of this patent application to provide broadened protections and to cover improvements to the process developed in the interim. During August 2020 the Company received a Notice of Allowance' for our third patent related to our Gen3Tech and additional related applications are pending and/or planned (See "Patents"). The Gen3Tech platform incorporates Bion's patented and proprietary technology which utilizes existing commercial evaporation and distillation process equipment (with decades of reliability and service history) that is customized for Bion's specific applications.

Gen3Tech Platform

Our Gen3Tech platform is the basis for a JV business model with four primary distinct revenue streams: 1) pipeline quality renewable natural gas and related carbon and other environmental credits, 2) premium fertilizer products: organic and 'ClimateSmart', 3) nutrient reduction credits, and 4) premium pricing/license fees for verifiably sustainable, USDA PVP-certified 'Environmentally Sustainable' branded meat at the retail level. Carbon and nutrient credit revenues will be supported by third-party verification of the waste treatment processes that simultaneously capture methane and nutrients, while producing renewable energy and fertilizer products from them with relatively limited incremental cost to Bion. The same verified data will also provide the backbone for the USDA PVP-certified sustainable brand, again with limited incremental cost.

1) Renewable energy- and carbon-related credits:

Bion's Gen3Tech platform utilizes anaerobic digestion ("AD") customized to maximize recovery of biogas (methane) (and ammonia nitrogen components) from the waste stream. At sufficient scale, methane produced from AD can be cost-effectively conditioned/cleaned, compressed and injected into a pipeline. The US Renewable Fuel Standard ("RFS") program and state programs in California and elsewhere provide ongoing renewable energy credits for the production of biogas and its subsequent use as a renewable transportation fuel. The CO2 recovered in the gas cleaning process will be recycled for use in the production of organic fertilizer products along with the ammonia-rich digestate. Gen3Tech facilities will also generate photovoltaic (solar) electricity from modules placed on the roofs of the barns (approximately 12 acres of rooftop per 15,000 head of cattle module). Additional renewable energy-related credit programs are being developed that Bion believes will impact these revenues, including a Carbon Intensity (CI) score that measures the amount of carbon produced per unit of energy produced.

2) Fertilizer: Organic and 'ClimateSmart': The Company has focused a large portion of its activities on developing, testing and demonstrating the 3rd generation of its technology and technology platform ("Gen3Tech") with emphasis on increasing the efficiency of production of valuable co-products from the waste treatment process, including ammonia nitrogen in the form of low carbon and/or organically certified soluble nitrogen fertilizer products. The Company's low concentration ammonium bicarbonate liquid product successfully completed its Organic Materials Review Institute ("OMRI") application and review process with listing approval during May 2020. During the next 3-4 months the Company intends to file applications with OMRI and the California Department of Food & Agriculture ("CDFA") for a line of higher concentration liquid ammonium nitrogen products (ranging from 6% up to 16% (or higher)) based on production of liquid samples during operation of the Initial Project over the next 2 months. The Company anticipates applying for and obtaining one or more listings/certifications for higher concentration products in our liquid ammonium nitrogen fertilizer line well prior to operational dates for the Company's initial large-scale JV Gen3Tech Sustainable Beef Projects.

Additionally, the Company intends to explore the market potential for its fertilizer (in liquid and/or solid forms) to be a verifiably 'ClimateSmart' product (potentially a much larger market than the organic market) with focus on higher value specialty crops. This will require working with industry and academic entities to develop appropriate metrics and producing a 'life cycle assessment' (LCA) for Bion's ammonium nitrogen fertilizer product which can be compared to conventional nitrogen fertilizer products. Bion's processes will capture and utilize CO2 in the waste stream (including CO2 produced with the renewable natural gas (RNG) by anaerobic digestion that is usually vented to the atmosphere) as stabilizing agent thereby potentially creating carbon offsets compared to natural gas utilized as feedstock in chemical ammonia production which reduction will be reflected in the LCA. This LCA will assess environmental impacts associated with fertilizer product in support of the beef cattle supply chain for both the existing conventional approach (primarily fossil fuel-based Haber-Bosch production methods) and the largely decarbonized Bion production approach. We believe a series of coincident yet significant LCA benefits accrue from Bion's pattened fertilizer production approach including the reduced loss of ammonia to the environment via air (volatilized) and water (nitrate in groundwater) pathways, recycled/reused water, elimination of pathogens, the production of renewable natural gas, the production solar energy from photovoltaic panels on barn roofs, enhanced animal welfare practices and reduced animal husbandry risks from extreme weather events. Bion believes that current 'downstream' carbon impacts of required energy intensive waste water treatment for re-deposited ammonia nitrogen. If the Company determines there is a significant 'ClimateSmart' opportunity for our fertilizer products, such an LCA can be completed (based in part on data from the Initial Project) and support marketing efforts well prior to

Animonium bicarbonate, manufactured using thermal and mechanical processes, has a long history of use as a fertilizer. In addition to liquid ammonium nitrogen fertilizer, Bion's Gen3Tech is capable of recovering nitrogen in the form of solid ammonium bicarbonate products containing up to 18%-22% (or higher) nitrogen in a crystalline form that is easily transported (while producing liquids with various percentages of ammonium bicarbonate nitrogen during interim stages of the process). This solid product is water soluble and provides a readily available nitrogen source for crops. It will contain virtually none of the other salt, iron and mineral constituents of the livestock waste stream that often accompany other organic fertilizers. This product is being developed to fertilizer industry standards so that it that can be precision-applied to crops using existing equipment. Bion believes that this product will potentially have broad applications in the production of organic and/or ClimateSmart grains for livestock feed, row crops, horticulture, greenhouse and hydroponic production, and potentially retail lawn and garden products.

The ammonium bicarbonate products (liquid and solid) produced by Bion's Gen3Tech platform will enjoy a dramatically lower carbon footprint than synthetic nitrogen fertilizers. Much of the reactive nitrogen captured and upcycled into our fertilizer products was going to be lost through volatilization and runoff, and that loss would generally need to be offset with a synthetic nitrogen fertilizer, such as anhydrous ammonia or urea. These synthetic nitrogen products are produced through the Haber-Bosch (and other) synthetic processes, which converts hydrogen and atmospheric nitrogen to ammonia, with methane from fossil fuels as the energy source. It is an extremely energy-intensive process with a carbon footprint that, while not yet fully understood, is widely accepted to by very large. While a complete Life Cycle Assessment (LCA) of carbon impacts from synthetic fertilizer production is not yet available, according to the Institute for Industrial Productivity, its production alone is responsible for approximately 1 percent of total global CO2 emissions. To the extent that Bion can capture and repurpose the nitrogen traditionally lost from livestock waste, that carbon cost will no longer need to be paid by the environment/climate.

Applications for our first solid form of concentrated ammonia, soluble nitrogen fertilizer product line were filed with OMRI (filed during May 2021) and CDFA (filed during May 2022) without success to date. After an extended review processes (which was largely opaque), the OMRI application proceeded through multiple stages without receiving a positive result. We have initiated an informal dialogue with CDFA regarding the basis for and re-consideration of its initial negative determination and anticipate submitting additional supporting materials to CDFA during the next 30 days. The Company's solid product line is novel (in the context of organic certification) in part due to the fact that no formal listing category currently in the organic space for a solid form of concentrated ammonia, soluble nitrogen fertilizers and there is no clear guidance at present from internal policy manuals on how to categorize this product and the process that produces it. There is also no clear guidance at present from either the NOP or the National Organic Standards Board ("NOSB") (which is currently involved in a related review and recommendations process regarding 'high nitrogen liquid fertilizers' derived from ammonia from manure). The Company and its representatives, along with a number of other organic fertilizer stakeholders, are involved in discussions regarding resolution of these matters at all three levels. The Company intends to continue efforts to obtain listing/certification for its solid nitrogen fertilizer line over the course of this fiscal year.

To provide a first level degree of clarity regarding organic approvals and the processes/procedures involved, Bion believes that the initial OMRI approval is of importance, because our other ammonium nitrogen organic products will produced by using the very same technology platform (our Gen3Tech). Note that there are different layers to the U.S. organic program and that fertilizers do not get 'certified' as organic, per se. Rather, they are evaluated to determine if they are acceptable for 'use in organic production'.

The National Organic Program ("NOP") was established by Congress in 2001 under the USDA's Agricultural Marketing Service. The NOP develops and enforces uniform national standards for organically-produced agricultural end products – meat/dairy/milk, fruits, vegetables – sold in the United States. Operating as a public-private partnership, NOP accredits private companies and helps train their inspectors (USDA-accredited Certifiers) to certify that farms and businesses meet the national organic standards. For example, in a potential Midwest organic beef project, each element in the supply chain must provide their certifying agent's certification that the specific product, such as organic com, has been produced in accordance with their organic plan. The end product - the beef - would be USDA-certified as organic by an accredited Certifier after a review of ALL the farming practices and inputs (which would include Bion's ammonium bicarbonate fertilizer).

OMRI enables a national listing thru one application versus the alternative of using certifiers to secure listings in individual states and regions. To those who wish to sell organic fertilizers into national distribution channels, an OMRI listing provides nearly uniform acceptance in the U.S. The OMRI listing Bion received in May was for our initial commercial product, a low-concentration liquid ammonia. It is valid ONLY for that particular product. For future Bion product offerings using the same technology platform, Bion will either need to file for specific state approval, or file for a national listing, or a combination of the two. Bion may elect to use an individual state listing initially to be followed by an OMRI application if and when the need for a regional or national listing arises.

The overarching standard of organic production, per NOP guidelines, is that a "product shall have been produced and handled without the use of synthetic chemicals..." That is rule Number One. At NOP, the term "synthetic" means "a substance that is formulated or manufactured by a chemical process or by a process that chemically changes a substance extracted from naturally occurring plant, animal, or mineral sources, except that such term shall not apply to substances created by naturally occurring biological processes." In evaluating and approving Bion's liquid ammonia for OMRI listing, Bion's patented ammonia recovery system was not deemed synthetic. That is an important distinction for future Bion product filings based upon the same patented process.

The Company believes that organic approvals for its products will: a) provide access to substantially higher value markets compared to synthetic nitrogen products, and/or b) allow its products to be utilized in growing of organic feed grains to be consumed by livestock raised in JVs which will be sold as organic. Based on preliminary market surveys to date, we believe that existing competing organic fertilizer products in both liquid and granular form are being sold presently at price points significantly greater than Bion's projected cost and projected pricing. We also believe that livestock products from animals raised with feed grains grown using Bion organic ammonium bicarbonate fertilizer products (and that otherwise qualify) will receive organic approvals. It is anticipated that the Company will continue to seek approvals for such products during the balance of the current fiscal year and will commence JVs that undertake initial production and marketing of such products during the 2024 calendar year.

3) Nutrient credits:

Bion believes that nutrient reduction (and other similar) credits and/or other methods of monetizing environmental benefits from the capture and re-purposing of the nutrients (largely nitrogen and phosphorus) from the livestock waste stream, will become available in multiple states over the next several years. The passage in the Pennsylvania ("PA") Senate of key legislation – SB 575 – in June 2019 that would have established a competitively-bid market for nutrient credits in PA, is indicative of the trends. Despite the fact that the bill was not considered in the House, due to the Covid-19 pandemic (a re-introduced bill will have to be considered again in the current and/or future sessions, Bion anticipates that after passage of a similar bill in the future, PA will establish a competitively-bid market for nutrient credits within twelve months after legislative passage and being signed into law by the Governor. See "Policy Change is Coming" and "Kreider Poultry Joint Venture and Pennsylvania and Chesapeake Bay Initiatives" below for discussion of the history and status of matters in PA.

Note, however, that the Covid-19 pandemic and resultant social and economic crises and budgetary constraints have delayed policy initiatives related to these matters at both the state and federal levels. As a result, it is not currently possible to reasonably project a timetable for adoption of the policy changes discussed herein.

4) Sustainable Branding:

Consumers have demonstrated a willingness to pay a premium for their safe and sustainable food choices. Based on Bion's recognition of the potential opportunities created by such willingness, beginning in 2015, Bion worked with the USDA's Process Verified Program ("PVP") – the 'gold standard' in food verification and branding – to establish a USDA PVP-certified sustainable brand. Bion received conditional approval from the PVP related to its Kreider 1 project (utilizing 2G Tech). It is our intention to submit an application for the Gen3Tech platform when the initial Gen3Tech Project is operational and seek an approval for certification based on third-party-verified reductions in nutrient impacts, greenhouse gases and pathogens in the waste stream (and other attributes), based on our Gen3Tech platform PVP certification incorporated as part of a recognizable brand (together with point-of-sale information) will provide consumers with products and brands that can be trusted. Bion believes that such a brand and livestock product line will command a pricing premium for Bion's livestock JVs and their customers.

Food safety and sustainability are issues of growing importance in the U.S. and worldwide. Bion's branding initiative reflects trends already underway in the livestock industry. Driven by growing consumer demand, large food retailers (such as Walmart and Costco) and restaurant chains (including Chipotle and McDonalds) are increasingly demanding greater responsibility and improved sustainability in food production practices from their suppliers. The Global Roundtable for Sustainable Beef ("Roundtable") was created to advance a sustainable global beef value chain that is "environmentally sound, socially responsible and economically viable". The Roundtable represents members from across the supply chain, including U.S., Canadian and Australian cattlemen's associations, Cargill, JBS, Elanco, McDonalds and A&W.

Large institutional investors have begun to pressure the livestock industry. Ceres and several other large activist institutional investors have already expressed concerns about carbon footprint, water quality, antibiotic usage and animal welfare in letters to management of their investment holdings in the food production industry. The Collier Farm Animal Investment Risk & Return ("FAIRR") Initiative was recently launched to highlight the environmental, social, and governance ("ESG") risks associated with large-scale livestock production.

In past years, the UN FAO has issued several highly critical reports of the livestock industry, more recently focused on its impacts on climate change. While some of their early reports were based on incomplete data and faulty methodologies and have since been somewhat quietly 'retracted', a wide array of activist groups, including climate, animal rights, and anti-factory farming advocates, have seized on them to create a global "anti-meat" messaging campaign. Their messaging is predicated on the (incorrect) notion that agriculture, and the livestock sector specifically, is the largest contributor to climate change, greater than the energy and transportation sectors. While this fact has been publicly 'debunked', the anti-meat campaign has been joined and amplified by various other stakeholders, governments, and more recently, competitors in the alternative protein space, such as plant-based and cellular meats.

Over the last few years, most large meat and dairy product retailers have announced 'sustainability' initiatives, although the definition of sustainability is often unclear. Based on recent statements from the industry regarding sustainability policy, many that identify goals that are 10 to 30 years in the future, Bion believes that sustainability on the production side will look a lot like what the Company's Gen3Tech platform can provide today. The Gen3Tech platform can deliver verifiable metrics that demonstrate meaningful improvements in sustainability for livestock production that are unmatched in the industry today, including a dramatically reduced carbon and nutrient footprint; lower negative impacts to water, soil and air; increased pathogen destruction; and other environmental and public health impacts. The Covid-19 pandemic has further heightened consumer awareness and concerns related to a) environmental sustainability, b) food safety, c) sourcing and traceability and d) humane treatment of both animals and workers.

The more the livestock industry's supply chain practices become transparent and known by consumers, the more consumers are seeking alternatives. Bion's 'Sustainable' branding program is designed to address a wide array of consumer concerns including: a) 'where does your food come from?' (animal heritage information); b) climate change (carbon) and other key environmental impacts (air/water/soil); c) antibiotic use/ standards; d) animal welfare/ humane treatment; e) laborer welfare/ working conditions. These issues can be addressed with the consumer through general advertising and/or at the point of sale with a QR code on the packaging that links back to product-specific data. The verification processes that will be employed by Bion's Gen3Tech platform support block chain traceability, providing accountability throughout that part of the supply chain addressed by Bion's platform and enabling any quality issues to be quickly identified by lot and location, minimizing risk to its consumers. In essence, Bion's comprehensive technology platform will enable its livestock JVs and other adopters to be not only the provider of the product the consumer wants, but also the businesses that shares their consumers' values.

Technology Applications/Business Opportunities

For the past decade, Bion has been focused on developing its Gen3Tech platform and creating applications for its patented and proprietary waste management technology platform to pursue JVs and other business opportunities in three broad categories:

a) Development of new state-of-the-art large scale waste treatment facilities (now utilizing our Gen3Tech) as JVs (or through other contractual arrangements and licensing), which may be developed in conjunction with new CAFOs in strategic locations (some of which were previously impracticable due to environmental impacts) and/or to treat the waste streams from one or more existing large livestock facilities ("Projects"). Some of these Projects may be either a) Integrated Projects as described below, b) 'central processing facilities' which receive the waste from multiple livestock facilities, c) Retrofit Projects or d) hybrids with elements of each of these types. Each version will be able to realize revenue from multiple revenue streams potentially generated by our Gen3Tech.

The "Sustainable Beef' and "Sustainable Organic Beef' opportunities (discussed both above and below) would be examples of this category. Bion anticipates that some of our Gen3Tech projects will involve swine and poultry. Some Projects may be international.

b) Installation of Bion systems to retrofit and environmentally remediate existing large CAFOs ("Retrofits" and "Retrofit Projects") in selected markets where:

a) government policy supports such efforts (such as the Chesapeake Bay watershed, Great Lakes Basin states, and/or other states and watersheds facing EPA 'total maximum daily load' ("TMDL") issues), and/or

b) where CAFO's need our technology to obtain permits to expand or develop without negative environmental consequences.

The Kreider Poultry JV project ("Kreider 2" or Kreider Poultry") (discussed below) is an example of such a Retrofit Project.

c) Technology licensing and/or joint venture opportunities internationally and in the U.S. for post-anaerobic digester: a) dairy applications, and b) treatment of organic waste streams from food waste, food processing waste, biofuels, and other organic waste streams whose processes include anaerobic digestion to produce renewable energy.

In each category (but especially in categories a) and b)) above, the Company intends to directly participate (whether by joint venture agreement or other contractual arrangements) in the revenues of the Retrofits and Projects.

The opportunities described in categories a) and b) above each require substantial political and regulatory (federal, state and local) efforts on the part of the Company and a substantial part of Bion's efforts are focused on such political and regulatory matters. Bion currently intends to pursue the international opportunities primarily through the use of consultants with existing relationships in target countries.

At this time, our primary focus is on categories a) and b) above, using our Gen3Tech to develop new (or expanded) large-scale Projects with strategic partners (including the Kreider 2 Project) on a joint venture (or other participating contractual form) basis----but we have engaged in preliminary discussions concerning opportunities described in category c). Bion's business model opens up the opportunity for JVs in various forms, based upon the revenue generated by our Gen3Tech platform from nutrient reductions, fertilizer co-products and renewable natural gas (which revenue streams will be secured through long term take-off agreements for each of these co-products) providing initial support for financing of required capital expenditures (whether equity or debt). We anticipate that these revenue streams will be supplemented by revenue realized from long-term premium pricing resulting from the sustainable branding opportunity. We believe that, over time, the branding opportunity may provide the single largest contribution to the overall economic opportunity enabled by Bion's Gen3Tech platform and business model.

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Initial Project: Gen3Tech Demonstration Facility

During the 2021 fiscal year, Bion completed a series of core optimization trials of its Gen3Tech platform that were required to move forward with its initial commercial scale Gen3Tech project. See discussion of the Initial Project above.

Sustainable/Organic Corn-Finished Beef Opportunity

It is likely that one of the LOI Projects discussed above will be the first Bion Gen3Tech project in this category.

The U.S. is the largest producer of beef (and veal) in the world, accounting for 11.5 million tons out of 61.5 million tons produced worldwide in 2020. Per capita beef consumption in the U.S. was approximately 70 pounds in 2020, up from 55 pounds in 2011. Annual cash receipts for all U.S. 'cattle and calves' were lower at approximately \$62 billion in 2020, with 2021 receipts anticipated to be higher (and back in line with recent years) at \$66 billion. Retail sales of fresh beef in the U.S. in 2020 were \$30.2 billion. In 2020, there were approximately 93.8 million cattle and calves in the U.S., with 14.7 million on feed. Of those cattle on feed, 81.4 percent were in feedlots with a capacity over 1,000 head.

Beef production is the most challenged sector of the livestock industry, due to its size and inability, as currently structured, to respond to growing consumer concerns related to sustainability and food safety. The beef industry is highly fragmented, and it is designed to produce multiple levels of commodity products (without any significant pricing premiums) that are graded based on marbling (fat) that determines taste and tenderness. Further, during its several decades of growth, the industry has avoided significant environmental regulation, and instead, has externalized its environmental costs by returning its waste to crop fields, where much of it is 'flushed' downstream. Today, however, consumer demand is shifting to products that are more sustainable, regarding carbon footprint, impacts to air and water, and other metrics. The result has been an opening for disruptive startups, including Beyond Meat and Impossible Foods, that are backed by large institutional investors and offer plant-based (in part) meat substitutes. The CEO of Impossible Foods has made bold claims that the \$100B-plus (U.S. alone) meat industry will be obsolete in 15 years (before the 'alt meat' boom flattened). Bion disagrees --- but such competition provides and highlights opportunities for us.

The Company doesn't think the consumer wants to 'blow up' the beef industry, which is responsible for the best and safest beef available in the world today (as well as the livelihoods of almost 800,000 farming, ranching and other families supported by the beef industry in the U.S). Nor do market studies bear out the concept that consumers want to replace the current supply chain. Rather, the studies indicate that consumers want the supply chain to be **more sustainable**—**and still taste good**. Bion believes that strong demand exists for a verified sustainable beef product that is real meat, with the taste and texture of traditional corn-fed beef, but which addresses consumers' sustainability concerns. Bion's technology platform is designed to produce such an environmentally sustainable beef (and other meat) product. Bion previously achieved conditional approval (for its 2G Tech pending resubmission and final inspections) for USDA brand certification that would initially include verified reductions in carbon, nutrients, and pathogens. The Company is confident that its Gen3Tech will support a PVP brand for products of sustainable and organic beef JVs.

Market studies indicate there is potentially a large, currently unserved, market for sustainable/organic com-finished beef; and further, that this is a long term and growing trend. Bion believes its 30 years of experience and expertise in livestock waste management, coupled with its state-of-the-art Gen3Tech platform and first-mover advantage, put the Company and its selected JV partners in a unique position to develop the most environmentally and economically sustainable animal protein production facilities possible today. The Company is unaware of any other technology and/or business model that can offer the same level of comprehensive treatment of livestock waste, produce high value coproducts, and deliver a sustainable brand that can provide an industry response to counter today's anti-meat messaging, along with the inroads in the animal protein market being made by alternative protein competitors.

'Sustainable' and 'organic' are two separate and distinct designations and represent different markets and consumers. While the markets and consumer demographics may overlap, it is assumed for purposes of Bion's analysis and planning that the market for sustainable beef will be substantially larger but command a smaller pricing premium; while the market for organic will be smaller but command a substantially larger premium and be costlier to produce. Note that in the sustainable and organic markets targeted by Bion, 'comfinished' is a constant. Bion believes, and the market has demonstrated, that delivering the same taste and texture that consumers expect in American beef and other meat products is a key to successful market acceptance, within both the sustainable and sustainable organic markets. The success of grass-fed/organic ground beef vs that of grass-fed/organic steaks demonstrates that palatability, as well as price, is a key criterion in whether a consumer chooses sustainability. Bion's Gen3Tech platform supports production of beef products that check all the boxes: sustainable, expected taste/texture, and affordable.

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Bion believes there is an opportunity, without the need to 'reinvent' the beef production supply chain, to provide at least a premium segment of the market with an affordable product that satisfies consumers' sustainability concerns. Further, we believe that the opportunity is large in scope and of sufficient duration and potential economic upside to warrant the investment of significant capital and resources. Our anticipated project development timeline can potentially allow us and our JV partners to be first to market with a sustainable/organic beef product at scale. The ability to deliver a large supply of a consistent product will be critical to the large retail distribution partners Bion will seek to include in its JVs. Our first/early-mover advantage should allow us to capture a significant portion of the early adopters in what market studies indicate is a potentially large, and essentially unserved, market.

In parallel with the beef demonstration project described above, we continue to move forward with preliminary pre-development work on a JV to build a large-scale state-of-the-art beef cattle feeding operations in the Midwest U.S. Such projects will be developed to produce a supply of com-fed beef that is a mixture of both USDA PVP-certified sustainable and sustainable-organic brands. One of the three LOIs (Ribbonwire/Olson/DVG)(discussed above), representing the first fruition of this initiative, will most likely be our first large scale sustainable beef JV with development commencing during the 2024 calendar year.

Bion intends to pursue its 'beef opportunity' in a series of large-scale JV projects, which will be based on construction of modules housing approximately 15,000 head each, for differing aggregate totals depending on multiple geographic and economic factors. Bion anticipates that these JVs would be comprised of parties that could include a) Bion, b) capital market/financing providers, and c) strategic industry partners who would be equity participants and/or offtake customers for the products of the ventures. The supply chain for each JV would vary and might include participating a) organic com producers, b) cow-calf operators, c) cattle feedlot operators, d) slaughter/processing plants, and e) retail distribution partners--- each subject to negotiated standards and controls. Bion's model will potentially enable segment of the supply chain to generate greater profitability as part of an integrated program, rather than the present fragmented industry model, for essentially performing the same basic services. One example of such synergies/integration might involve providing an organic com producer with sufficient ammonium bicarbonate fertilizer to support a higher yield per acre, in return for a share of the excess yield value and a production purchase commitment.

At present, there is essentially no traceable and verifiable 'sustainable beef' available to the US market except for niche products. In response to consumer demand for transparency and sustainability, Bion expects the meat industry in general, and beef specifically, to evolve towards using new technologies to deliver these attributes in their products. While we anticipate a faster adoption of tracking, verification and sustainability technologies in other perishable food categories like produce and dairy due to their shorter product cycles (and related harvest and production techniques), meat industry leaders have also announced their willingness to move forward with initiatives in this area. Many companies have announced 'sustainability' initiatives but most appear to consist largely of 'greenwashing' marketing commitments rather than substantive undertakings at this date. Note, however, that Tyson's Brazen beef initiative (which was announced during March 2023) may develop into a substantive competitive factor in the sustainable beef marketplace. Bion predicts that within approximately five years, consumers will be able to track and verify claims including sustainability on 25% (or more) of the products merchandised in the meat department. Bion believes that the retail market share of verifiably sustainable beef in the US will approach 7-10 % within three (3) years (end of 2026) and 25% in five (5) years (end of 2028) (approximately 6-7,000,000 cattle annually) (and more thereafter). If Bion can successfully execute on its sustainable beef business plan (which is subject to many contingencies), we believe that JV facilities utilizing Bion's Gen3Tech platform will supply one-third (1/3) or more of that of the premium market segment (and a higher portion of meat that is actually traceable and verifiably sustainable). Our goal is to have multiple sustainable beef projects under development (within 3-5 distinct JVs) by the end of our 2025 fiscal year. Our first commercial project is likely to be one of our current LOI Projects but we anticipate commencing development of additional sustainable beef projects during the current fiscal year as well. Our current target is to have at least three (3) facility modules (15,000 head per module)("Modules") in development and/or under construction during 2024 in three (3) different JVs with the initial barns being populated with livestock during 2025. Further expansion in the number of distinct JVs is projected through 2026-7 aiming at 5-10 JVs in process --- each of which JVs will be pursuing development of multiple Modules with targets of 12-15 populated Modules by the end of 2026 (approximately 2%-3% of the US beef market) and 30-45 Modules constructed and being populated by 2029 (approximately 6%-8% of the US beef market) with further expansion thereafter. Bion's current goal is that its Gen3Tech platform will be utilized to produce 33% of the verifiable "sustainable beef" category at the end of the period (which will equal approximately 2 million cattle annually)(45 Modules).

There is no assurance that the Company will reach or approach the goals/targets set forth above. Reaching such goals/targets will require access to very large amounts of capital (equity and debt) as each module is projected to cost in excess of \$50 million to construct and require mobilization of substantial personnel, technical resources and management skills. The Company does not possess either the financial or personnel resources required internally and will need to source such resources from outside itself.

Retrofit Gen3Tech Project: Kreider Poultry JV ("Kreider 2")

The JV Kreider 2 Gen3Tech project is intended to treat the waste from Kreider Farms' approximately six million egg layer chickens (with capacity for an additional three million layers) (and potentially 1,600 dairy cows). The Project will be designed for an initial capacity of 450 tons per day of waste and will remove nitrogen and phosphorus from the waste stream that will be converted into high-value coproducts instead of polluting local and downstream waters. The Project is planned to be built in multiple phases and may be expanded to include a 'central processing facility' with modules that will accept transported waste from the region on a fee basis.

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Bion has a long-standing relationship with Kreider Farms, including a 2016 joint venture agreement related to these potential facilities. Kreider has already made a significant investment in upgrading its poultry facilities to maximize the treatment and recovery efficiencies that can be achieved with Bion's technology. Note, however, that the Kreider 2 project is dependent, in part, on development of a substantial competitively-bid market for long-term commercial sale of the nutrient reduction credits produced at Kreider 2 (or another form of payment for ecosystem services). If/when a viable competitive procurement program for nutrient credits or similar program is implemented in PA, we intend to move forward on the development of the initial portions of the Kreider 2 Project during the subsequent year. Certain matters related to Kreider 2 are discussed at "Kreider Poultry Joint Venture and Pennsylvania and Chesapeake Bay Initiatives".

Policy Change is Coming

Because Bion believes that policy change is coming, we continue to work with an array of stakeholders, including national representatives of the livestock industry, to support establishing new market driven strategies to allow the private sector, including the livestock industry, to provide low-cost large-scale verifiable solutions to our Nation's clean water challenges. There are many states that face similar (or worse) to Pennsylvania's livestock waste-related pollution issues, and they will be forced to adopt new strategies, as well. In the face of a growing problem that will only be exacerbated by climate change, it will be necessary to go beyond status quo solutions or risk losing the ecosystems that comprise many of our watersheds and estuaries.

When competitively-bid markets for nutrient reductions (and/or other forms of payment for ecosystem services that will allow us to monetize environmental benefits) become fully established, Bion anticipates a robust opportunity to use its Gen3Tech-based platforms to retrofit both existing CAFOs and equip new large-scale livestock facilities ("Projects") which will generate the supplemental revenue needed to profitably afford technology implementation from sales of verified nutrient reduction credits.

Bion's Gen3Tech can provide a solution to a significant portion of the livestock problem discussed above, because it upcycles the nutrients, providing a pathway to export and precision apply them when and where needed, which prevents the uncontrolled release to the environment of most of the nutrients from the CAFO waste stream. Treatment costs are offset by recovering a substantial portion of those nutrients for value-added commercial utilization.

Our technology platform largely eliminates ammonia emissions, other substantial greenhouse gas emissions, odors and other harmful air pollutants. Additionally, the platform destroys virtually all pathogens in the waste stream that have been linked to foodborne illnesses and growing antibiotic resistance. Similar to point-source treatment, such as provided by an industrial or municipal wastewater treatment plant, the performance of Bion's technology platform can be precisely monitored, measured and quantified (in contrast to the modeled, in-exact - and so far, disappointing - results from modeled BMPs). Third-party data from our facilities can provide the basis for verified environmental credits, and related revenues, as well as sustainable branding claims.

In contrast, the current clean water strategy being utilized in the U.S. is clearly failing, because it doesn't adequately address waste from agriculture. A lot of U.S. crops are now fertilized with raw, untreated manure. However, approximately 80 percent of the nitrogen in that manure is not utilized by the plants being fertilized but rather 'escapes' to contaminate the environment through various pathways. Because livestock waste is one of the largest contributors to nutrient problems in certain watersheds, livestock waste treatment can be the source of the low-cost solution for such problems – if the waste is treated upstream at (or close to) the source of production. Manure control technologies, applied to large scale facilities where concentration and scale enable cost-effective cleanup, can potentially offer the lowest cost nutrient solutions available in most watersheds today. More than 80 percent of U.S. livestock production takes place on large-scale facilities, where cost-effective treatment can be implemented. There is no longer any real question regarding whether such facilities need to be cleaned up. The actual question for public policy concerns is developing sources of new revenues which will enable the livestock industry to offset the implementation costs for the cleanup.

Despite trends toward concentration in segments over the last several decades, the U.S. animal-protein industry, particularly beef, remains (in large part) a fragmented, low-margin commodity business without effective integrated efforts toward either environmentally or economically sustainable production. Cleaning it up will have to be orderly and contain a path to sustainability that does not cause U.S. food costs to spike or bankrupt the industry. This will require treatment sufficient to remove the volume of nutrients in excess of crop requirements. Because the global export market represents a significant part of the U.S. livestock production industry, direct increases in federal regulation without offsetting revenues would likely create costs that could not be absorbed by the industry in a manner that would allow it to remain competitive in international markets. Selective state regulation would have a similar chilling effect within the U.S., since regulated producers in one state would be unable to compete with unregulated producers in adjoining states. Subsidies and/or new revenue sources are required.

Bion believes that reallocating some part of the approximately \$110 billion in existing U.S. taxpayer-funded clean water spending to lower-cost alternative solutions in agriculture (including competitively-bid nutrient reduction procurement) is inevitable. It will provide the taxpayer with accelerated and substantially lower-cost (and verified) air and water quality solutions compared to current strategies. If Bion's technology is implemented in appropriate situations, it will provide the livestock industry with the recurring revenues that are needed to offset the costs of technology adoption without major disruption to the industry. To date, a wide range of entrenched interests have opposed and fought policy change that might reallocate clean water spending to more cost-effective alternatives; but this common-sense approach is being accepted by a widening group of stakeholders.

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NOTE, THAT THE COVID-19 PANDEMIC AND RESULTANT ECONOMIC CRISES AND BUDGETARY CONSTRAINTS APPEAR TO HAVE DELAYED POLICY INITIATIVES RELATED TO THESE MATTERS AT BOTH THE STATE AND FEDERAL LEVELS. AS A RESULT, IT IS NOT CURRENTLY POSSIBLE TO REASONABLY PROJECT A TIMETABLE FOR ADOPTION OF THE POLICY CHANGES DISCUSSED HEREIN.

However, Bion believes that some opportunity exists at the federal level in the projected infrastructure spending to create funding for climate and environmental initiatives. For example, the recently passed Inflation Reduction Act includes provisions that may provide up to a 30% federal tax credit to partially offset costs of adoption of environmental technologies such as AD and Bion's Gen3Tech waste treatment technology. Such an incentive, if available (of which there is no assurance), would materially impact JV project economics (including the Dalhart Project and the Kreider 2 project). Further, we believe that AD projects will ultimately be required to utilize ammonia control technologies, since ammonia emissions are an area of increasing concern, and AD exacerbates the release of ammonia from the organic waste stream.

Note that a bipartisan 2013 Pennsylvania legislative study projected that creating a competitive bidding program to procure verified nitrogen reductions to meet federal Chesapeake Bay mandates, regardless *of source*, could reduce the state's tax- and ratepayer-funded compliance costs by up to 80 percent (approximately \$1.5B annually). The legislative study was updated in 2018 to reflect new policies. The updated report projected savings of up to 90 percent. As discussed in the original study, much of the savings were due to low-cost high-impact manure control projects (Bion's technology figured prominently in the report). Senate Bill 575, which was supported by legislative leadership, national livestock interests and other key stakeholders (and is consistent with US EPA policies), which would have established a competitive procurement program and unlock some of these opportunities in PA was passed during June 2019 by the Pennsylvania Senate voted 33 to 17 but one effect of the Covid-19 pandemic crisis has been that PA funding for new initiatives is largely 'on hold' at the present time. Bion anticipates that after passage of a similar bill in the future (of which there is no assurance), PA will establish a competitively-

bid market for nutrient credits within twelve months after legislative passage and being signed into law by the Governor. See "**Pre-Gen3Tech: Chesapeake Bay Watershed:** Kreider Farms Projects/Pennsylvania Initiatives" below for discussion of the history and status of matters in PA.

In a 2017 Letter of Expectation to PA's Department of Environmental Protection, US EPA demonstrated its support of a procurement strategy to engage the private sector - as long as the Credits are verified. It is noteworthy that US EPA and national livestock industry representatives agree on this strategy. Such a procurement strategy is also consistent with USDA and EPA support of 'Private Partnerships' and OMB's guidance that supports acquiring verified results vs. financing projects with uncertain outcomes and taxpayer risks. Not surprisingly, the primary opponents of this strategy are the entrenched interests of the clean water status quo, although how much longer they can avoid accountability for a failing strategy remains to be seen.

We believe that such strategies that may be developed in Pennsylvania and the Chesapeake Bay, if implemented, are likely to serve as a model for the 40 other states now seeking solutions to similar water quality problems. Today, most states face a similar issue---unfunded federal clean water mandates. Pennsylvania's proposed competitive bidding program provides an opportunity to significantly reduce the cost to PA (and a model for other states to utilize in the future) in meeting such mandates.

Going Concern:

The Company's audited financial statements have been prepared assuming the Company will continue as a going concern. The Company has not generated significant revenues and incurred a net income of \$8,291,000 for the year ended June 30, 2022 and a net loss of approximately \$3,189,000 during the year ended June 30, 2023. The net income for the year ended June 30, 2022 was largely due to a one-time, non-cash event of the dissolution of PA-1 resulting in a gain of approximately \$10,235,000 as well as a one-time gain of \$902,000 from the sale of the Company's 'biontech.com' domain pursuant to a purchase agreement during the period. At June 30, 2023, the Company has a working deficit and a stockholders' equity of approximately \$968,000 and \$4,194,000, respectively. During the year ended June 30, 2023 the Company had debt modifications that resulted in a reduction of debt of \$3,522,000 and an increase in equity in the same amount. These factors raise substantial doubt about the Company's ability to continue as a going concern. The accompanying consolidated financial statements do not include any adjustments relating to the recoverability or classification of assets or the amounts and classification of liabilities that may result should the Company be unable to continue as a going concern.

PRINCIPAL PRODUCTS AND SERVICES

The Company's primary focus is on implementing its Gen3Tech in JVs (as described above). Therefore, the category 'PRINCIPAL PRODUCTS AND SERVICES' is not fully appropriate for the Company's business. While the Company may implement some Gen3Tech systems on a contractual basis, our business does not primarily involve sale of our systems or long term direct operations/management of our systems. The discussion below should be read in the context this business focus (described in detail above and below).

Bion has invested over \$100 million in its business since 1989, much of which has been expended development of its technologies and technology platform, policy change initiatives and other activities. Our 2G Tech (now supplanted by our Gen3Tech) was proven at commercial scale and has been reviewed and qualified for federal loan guarantees under USDA's Technical Assessment program. The 2G Tech platform (as will our Gen3Tech going forward) provided verified nutrient credits from wet livestock waste (dairy, beef, and swine) that can be used to offset US EPA-mandated TMDL requirements. The Company intends to implement its first Gen3Tech systems during the current fiscal year. Our Gen3Tech and Gen3Tech platform provide the basis for our planned JVs and Projects and therefore constitute our 'principal products'.

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Each Bion system (whether prior 2G Tech or current Gen3Tech) is comprised of several process units combined in a 'process train', much like a municipal wastewater treatment plant. The platform utilizes a combination of mechanical, biological, and thermal processes and can be configured in a variety of ways, based on the needs and economics of the location, to provide the level of environmental treatment required, while separating and aggregating the various components of the waste stream for processing and recovery. A key attribute of the Bion platform is that the performance of the systems can be measured, quantified and verified through a proprietary data collection system, providing a level of oversight and verification similar to waste water treatment facilities. In addition to providing third-party verification of reductions for regulatory/credit purposes, the same data can also be used to support the claims of a USDA-certified sustainable branding.

Bion's waste treatment solutions are scalable, proven in commercial operations (2G Tech) and the verified results have been accepted by EPA (for use as a "qualified offset"), USDA and other regulatory agencies. Bion's core processes are protected by five United States patents. Additionally, Bion has two United States patent applications pending and has three international patent applications currently pending. We do not know of any other cost-effective technology that provides Bion Gen3Tech platform's system's level of treatment of livestock waste (dairy, beef, poultry and swine) or which can provide the full set of 'sustainability benefits' anticipated to be provided by the Company's JVs. Note that while revenues from Bion's 2G platform were 90 percent dependent on developing markets for nutrient reductions, our Gen3Tech platform will generate revenues from multiple co-product streams to supplement revenues from nutrient reductions.

Bion's Gen3Tech platform has been developed over the past six years to maximize co-product recovery values from large scale facilities (or multiple modular facilities) while maintaining/improving the level of environmental remediation produced by our 2G systems. The 3G systems will recover nitrogen from the CAFO waste stream for production of nitrogen-rich products that Bion believes will qualify for certification for use as fertilizer in growing organic crops (the first approval was received during the 2020 fiscal year) for livestock and human consumption and/or for other uses. Further, the Gen3Tech platform will recover methane that can be conditioned/cleaned to pipeline quality gas (with the CO2 recovered from the cleaning process re-cycled and utilized in the fertilizer production process) and will qualify for various credits and subsidies as clean, renewable natural gas. These two revenue streams will supplement revenues from the sale of USDA PVP-certified, verifiably sustainable branded meat products. In some locations, revenues may also be realized from nutrient credits and other environmental services.

Building upon our 2G Tech and Bion's over 20 years of experience providing waste treatment services to the livestock industry, commencing with our first generation technology applications, the Company is also pursuing the Retrofit opportunities related to environmental remediation of existing CAFOs in appropriate situations (see discussion of Kreider Poultry venture herein). Our technology has evolved and been upgraded over the decades to meet changing standards and requirements. Bion's Gen3Tech platform creates potentially profitable business opportunities to provide waste treatment services and systems and/or renewable energy production capability to existing large livestock operations (of which there are many), and potentially to smaller facilities through aggregation of waste streams. However, this is not our primary focus. Candidates for these solutions include individual CAFO facilities that face impending regulatory action, CAFOs that wish to expand or relocate, and operations located in regions that suffer severe and immediate environmental issues, such as the Chesapeake Bay watershed, Great Lakes region and/or the San Joaquin Valley, where financial incentives (such as nutrient reduction credit trading programs) are (or may become) available that encourage voluntary reductions of nutrient releases and/or atmospheric emissions from agricultural sources.

See 'HISTORY, BACKGROUND AND CURRENT ACTIVITIES' above.

Sustainable/Organic Corn-Fed Beef Opportunity

The Company believes that one of its major opportunities will be in JVs to pursue the Sustainable Beef Opportunity and the Sustainable/Organic Corn-Fed Beef Opportunity in the Midwest as discussed at some length above. It is the Company's current intention to initiate several JVs pursuing this opportunity as developer of, technology provider to, and direct participant. See discussion above.

While it is not possible at this time to firmly predict where the initial JVs and/or Project will be developed or the order in which JVs and Projects will be developed, the Dalhart Project (see discussion above) will most likely be the Company's first large scale Gen3Tech commercial project. All potential JVs and/or Projects are in very early pre-development stages and may never progress to actual development or may be developed after other JVs and/or Projects not yet under active consideration.

The Company's successful accomplishment of its business activities is dependent upon many factors (see 'Forward-Looking Statements' above) including without limitation the following, none of which can be assured at this date:

- Successful development and completion of the Initial Project (at least phase 1) and the first large scale Gen3Tech commercial Project(s) to demonstrate the commercial economics of its Gen3Tech platform;
- Successful development of the first Integrated Project to demonstrate the operation of a fully-integrated, environmentally-compliant Integrated Project at a profitable level;
- · Establishment of a substantial and liquid market for nutrient reductions and other environmental attributes generated from the Company's future facilities;

- Establishment of marketing relationships needed for realization of full value from the saleable co-products including sustainable and organic meat products and organic nitrogen fertilizer products;
- Successful completion of organic certifications and USDA PVP-certified sustainable brand;
- Our ability to raise sufficient funds to allow us to finance our activities, JVs, and Projects; and
- Regulatory and enforcement policies at the Federal, State and local levels.

Kreider Poultry Joint Venture and Pennsylvania and Chesapeake Bay Initiatives

Bion's activities in Pennsylvania ("PA") commenced with the Kreider 1 2G Tech dairy system in the Chesapeake Bay watershed. This retrofit installation was designed and intended primarily to reduce nitrogen and phosphorus releases and ammonia emissions from the dairy waste streams to generate tradable nutrient reduction credits as part of a nutrient credit trading program through the PA Department of Environmental Protection ('PADEP'). While this project was not a commercial success (due to PA's failure to implement a viable long-term credit trading market), it demonstrated that Bion's manure treatment technology can generate low-cost verified credits and provided the basis of a 2013 PA Legislative Budget and Finance Committee report (updated in 2018) that supports the use of manure technologies to provide low-cost alternatives to meet Bay mandates.

It is possible that the Kreider 2 poultry waste treatment Project, which is in its early development and pre-permitting phase, will be one of our first large scale JV Projects if a workable market for nutrient reduction credits develops in PA, of which there is no assurance. See "**Retrofit Gen3Tech Project: Kreider Poultry JV ("Kreider 2")**" above. The Kreider 2 Project will utilize our Gen3Tech platform to treat the waste stream from Kreider Farm's large poultry operations (possibly together with waste from other nearby poultry operations and/or other waste streams) (and the dairy waste stream previously treated in the Kreider 1 system) to generate renewable energy, marketable nutrient reduction credits and co-products (including nitrogen in organic and/or non-organic forms). It is targeted to treat the waste stream from approximately 9 million birds, in modules, when fully developed. Estimated capital costs ('capex') are currently estimated in the \$60 million range (with the caveat that no site has yet been chosen, technology development is not complete and the final design work has not yet begun) and has the potential to generate gross revenues of up to \$50 million annually from the multiple revenue streams based on current projected yields and prices, none of which are assured. Note that tech and system design work is continuing and the Company anticipates reduce reductions of both capex and operating costs.

To date the market for long-term nutrient reduction Credits in Pennsylvania has been very slow to develop and the Company's activities have been negatively affected by such lack of development. However, Bion is confident that if and when these markets are established, the Credits it produces will be competitive in the credit trading markets, based on its cost to remove nitrogen from the livestock waste stream, compared to the cost to remove nitrogen through various other treatment activities.

Several independent studies have calculated the average cost to remove nitrogen through various sector practices. Reports prepared for the PA Senate (2008), Chesapeake Bay Commission (2012) and PA legislature (2013; described below), as well as the Maryland Chesapeake Bay Financing Strategy Report (2015), demonstrate that the cost to remove nitrogen (per pound on average) from agriculture is \$44 to \$54, municipal wastewater: \$28 to \$43, and storm water: \$386 to \$633. Pursuant to the PA legislative study, by replacing sector allocation (for all sectors) with competitive bidding, up to 80 percent savings could be achieved in PA's Chesapeake Bay compliance costs (\$1.5 billion annually) by 2025. If the legislative study had focused on the cost differentials of competitive bidding compared only with storm water, the relative savings would be substantially greater.

Since these studies were completed, most of the larger (Tier 1) municipal wastewater treatment plants in PA have been upgraded, at a cost of approximately \$2.5 billion (vs initial 2004 PA DEP cost estimates of \$376 million). US EPA is now focused on PA's storm water allocation (3.5 million pounds) and has this sector on 'backstop level actions', the highest level of EPA-oversight and the final step before sanctions. In the same 2004 PA DEP cost estimate that led to the more than a \$2 billion underestimate/miscalculation in municipal wastewater plant upgrade costs, the estimate for storm water cost was \$5.6 billion. In April 2017, US EPA sent a Letter of Expectation to PA DEP, expressing the agency's support for the use of nutrient credit trading and competitive bidding to engage the private-sector to lower costs. The letter specifically encouraged the use of credit trading to offset the state's looming storm water obligations.

Bion anticipates that it will be able to profitably develop the Kreider 2 project if it is able sell nutrient credits generated at the Kreider 2 facilities (and subsequent projects) at prices are in the range of \$6-\$12 (or higher) per lb. of nitrogen reduction under long-term contracts, of which there is no assurance. Bion further believes that with the studies and information now available to other states that are (or will shortly be) facing these same decisions, a cost-benefit analysis will make it clear from the outset that competitive bidding for nutrient reduction credits from alternative approaches can provide dramatically lower-cost solutions than traditional strategies.

The Kreider 2 poultry waste treatment facility in PA may be one of our initial Gen3Tech Projects outside of the sustainable beef segment. However, Bion intends that it will select a site for the Kreider 2 Project and/or its initial Integrated Project (and possibly additional Projects) only after PA adopts a competitively-bid nutrient reduction Credit purchase program (see discussion above and below).

CORPORATE BACKGROUND

The Company is a Colorado corporation organized on December 31, 1987. Our principal executive offices are located in the home offices of our senior executives. Our primary administrative office is now located at the residence of our Office Manager at 9 East Park Court, Old Bethpage, New York 11804, at which location most of the Company's physical records and central computer reside. Our primary telephone number is 516-586-5643. We have no additional offices at this time as all employees and primary consultants work from their home offices.

HISTORY AND DEVELOPMENT OF OUR BUSINESS

Substantially all of our business and operations to date has been conducted through wholly-owned subsidiaries, Bion Technologies, Inc. (a Colorado corporation organized

September 20, 1989), Bion Integrated Projects Group, Inc. ("Projects Group") (formerly Bion Dairy Corporation through August 2008 and originally Bion Municipal, Inc., a Colorado corporation organized July 23, 1999) and Bion Services Group, Inc. ("Services Group") (formerly Bion International, Inc., a Colorado corporation organized July 23, 1999) and BionSoil, Inc. (a currently inactive Colorado corporation organized June 3, 1996). Bion is also the parent of Bion PA 2 LLC (a Colorado entity organized June 24, 2010) ("PA2") and Bion 3G-1, LLC (a Colorado entity organized on September 23, 2021). In January 2002, Bion entered into a series of transactions whereby the Company became a 57.7% (now 58.9%) owner of Centerpoint Corporation (a Delaware corporation organized August 9, 1995) ("Centerpoint"). Bion was formerly the parent of Bion PA 1 LLC (a Colorado entity organized August 14, 2008) ("PA1") which was dissolved on December 29, 2021 (See "Pennvest Loan and Bion PA1 LLC Dissolution" herein).

Although we have been conducting business since 1989, we determined that we needed to redefine how we could best utilize our technology during 2003 and again in 2015. From 2003 through early 2008, we primarily worked on technology improvements and applications and in furtherance of our business model of Integrated Project development. During 2008 we re-commenced pursuing active commercial transactions involving installation of our 2G Tech for CAFO waste treatment and related environmental remediation and initiation of pre-development modeling and pre-development work to prepare for our initial Integrated Projects. Commencing during 2015, the Company focused its efforts largely on the development of our Gen3Tech platform which was largely completed during 2021. We are now focused primarily on development of JVs and Projects based on implementation of our Gen3Tech platform (and business model) in the industry segments discussed above.

Our original systems were wastewater treatment systems for dairy farms and food processing plants. The basic design was modified in late 1994 to create Nutrient Management Systems ("NMS") that produced organic soil products as a byproduct of remediation of the waste stream when installed on large dairy or swine farms. Through June 30, 2002, we sold and subsequently installed, in the aggregate, approximately 30 of these first iteration of Bion's systems in 7 states, of which we believe a few may still in operation in 3 states. We discontinued marketing of our first-generation NMS systems during fiscal year 2002 and turned control and ownership of the first-generation systems over to the farms on which they were installed over the following two years. We were unable to produce a business model based on the first-generation systems that would generate sufficient revenues to create a profitable business. While continuing to market and operate the first-generation systems, during the second half of calendar year 2000, we began to focus our activities on developing the next generation of the Bion technology. We no longer operate or own any of the first-generation NMS systems.

As a result of our research and development efforts, the core of our current technology was re-developed during fiscal years 2001-2004. We designed and tested Systems that used state-of-the-art, computerized, real-time monitoring and system control with the potential to be remotely accessed for both reporting requirements and control functions. These Systems were smaller and faster than our first-generation NMS systems. The initial versions of our second generation of Bion Systems were designed to harvest solids used to produce organic fertilizer and soil amendments or additives (the "BionSoil(R) products") in a few weeks as compared to six to twelve months with our first-generation systems.

During 2003-4 we designed, installed and began testing a commercial scale, second generation Bion System as a temporary modification or retrofit to a waste lagoon on a 1,250milking cow dairy farm in Texas, known as the DeVries Dairy. In December 2004, Bion published an independently peer-reviewed report, a copy of which may be found on our website, <u>www.biontech.com</u>, with data from the DeVries project demonstrating a reduction in nutrients (nitrogen and phosphorus) of approximately 75% and air emissions of approximately 95%. More specifically, those published results indicated that the Bion System produced a 74% reduction of nitrogen and a 79% reduction of phosphorus. The air results show that the Bion System limited emissions from the waste stream as follows: (in pounds per 1,400-pound dairy cow per year):

| • | Ammonia | 0.20 |
|---|----------------------------|------|
| • | Hydrogen Sulfide | 0.56 |
| • | Volatile Organic Compounds | 0.08 |
| • | Nitrogen Oxides | 0.17 |

These emissions represented a reduction from published baselines of 95%-99%.

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Through 2007 the demonstration project at the DeVries Dairy in Texas also provided Bion with the opportunity to explore mechanisms to best separate the processed manure into streams of coarse and fine solids, with the coarse cellulosic solids/biomass supporting generation of renewable energy and the fine solids potentially becoming the basis of organic fertilizer products and/or a high-protein animal feed ingredients. On-going research was also carried out on various aspects of nutrient releases and atmospheric emissions.

Bion discontinued operation of the DeVries demonstration research system during 2008.

During the 2005-2008 period, Bion focused on completing development of its 2G Tech platform and business model. As such, we did not pursue near term sales and revenue opportunities, such as retrofitting existing CAFOs with interim versions of our waste management solutions, because such efforts would have diverted scarce management and financial resources and negatively impacted our ability to complete development of an integrated technology platform in support of large-scale sustainable Projects.

From 2009 through 2015 (when development of our Gen3Tech platform began), Bion actively pursued business opportunities in three broad areas 1) Bion systems to retrofit of existing CAFO's (some of which may generate verified nutrient credits and revenues from the production of renewable energy and byproducts) ("Retrofits"), and 2) development of new state-of-the-art large scale waste treatment facilities, potentially in conjunction with new CAFOs developed in strategic locations that were not previously possible due to environmental constraints in strategic locations ("Projects") (some of these may be "closed loop' Integrated Projects that were not previously possible due to environmental constraints as described below), and 3) licensing and/or joint venturing of Bion's technology (primarily) outside North America. Bion is now primarily pursuing JVs related to these opportunities within the United States and internationally based on our Gen3Tech as described above.

Pre-Gen3Tech: Chesapeake Bay Watershed: Pennvest Loan and Bion PA1 LLC ("PA1") Dissolution/Kreider Farms Projects/Pennsylvania Initiatives

Pennvest Loan and Bion PA1 LLC ("PA1") Dissolution

PA1, the Company's wholly-owned subsidiary, was dissolved on December 29, 2021 on which date it owed approximately \$10,010,000 under the terms of the Pennvest Loan related to the construction of the Kreider 1 System including accrued interest and late charges totaling \$2,255,802 as of that date. Through the date of the dissolution, PA1 was a wholly-owned subsidiary of the Company and its assets and liabilities were included on the Company's consolidated balance sheets. At September 30, 2021, PA1's total assets were \$297 and its total liabilities were \$10,154,334 (including the Pennvest Loan in the aggregate amount of \$9,939,148, accounts payable of \$214,235 and accrued liabilities of \$950) which sums were included in the Company's consolidated balance sheets in its Form 10-Q for the quarter ended September 30, 2021. Subsequent to the dissolution of PA1, its assets and liabilities are no longer consolidated and included in the Company's consolidated balance sheets. As of December 29, 2021, PA1's total assets were silo,234,501 (including the Pennvest Loan in the aggregate amount of \$10,009,802, accounts payable of \$212,263 and accrued liabilities of \$12,436. The net amount of \$10,234,501 was recognized as a gain on the legal dissolution of a subsidiary in other (income) expense.

As background, the terms of the Pennvest Loan provided for funding of up to \$7,754,000 which was to be repaid by interest-only payments for three years, followed by an additional ten-year amortization of principal. The Pennvest Loan accrued interest at 2.547% per annum for years 1 through 5 and 3.184% per annum for years 6 through maturity. The Pennvest Loan required minimum annual principal payments of approximately \$5,886,000 in fiscal years 2013 through 2021, and \$846,000 in fiscal year 2022, \$873,000 in fiscal year 2023 and \$149,000 in fiscal year 2024. The Pennvest Loan was collateralized by PA1's Kreider 1 System and by a pledge of all revenues generated from Kreider 1 including, but not limited to, revenues generated from nutrient reduction credit sales and by-product sales. In addition, in consideration for the excess credit risk associated with the project, Pennvest was entitled to participate in the profits from Kreider 1 calculated on a net cash flow basis, as defined. The Company has incurred interest expense related to the Pennvest Loan of \$123,444 and \$246,887 for the years ended June 30, 2022 and 2021, respectively. Based on the limited development of the depth and breadth of the Pennvest Loan during reduction credit market, PA1 commenced discussions and negotiations with Pennvest related to forbearance and/or re-structuring the obligations under the Pennvest Loan during 2013. In the context of such negotiations, PA1 elected not to make interest payments to Pennvest on the Pennvest Loan since January 2013. Additionally, the PA1 did not make

any principal payments, which were to begin in fiscal 2013, and, therefore, the Company classified the Pennvest Loan as a current liability through the dissolution of PA1 on December 29, 2021.

During August 2012, the Company provided Pennvest (and the PADEP) with data demonstrating that the Kreider 1 system met the 'technology guaranty' standards which were incorporated in the Pennvest financing documents and, as a result, the Pennvest Loan has been solely an obligation of PA1 since that date. Note, however, the Company's consolidated balance sheet as of June 30, 2021 reflects the Pennvest Loan as a liability of \$9,868,495 despite the fact that the obligation (if any) was solely an obligation of PA1.

During August 2012, the Company provided Pennvest (and the PADEP) with data demonstrating that the Kreider 1 system met the 'technology guaranty' standards which were incorporated in the Pennvest financing documents and, as a result, the Pennvest Loan has been solely an obligation of PA1 since that date. Note, however, the Company's consolidated balance sheets as of June 30, 2021 reflects the Pennvest Loan as a liability of \$9,868,495 despite the fact that the obligation (if any) was solely an obligation of PA1.

On September 25, 2014, the Pennsylvania Infrastructure Investment Authority ("Pennvest") exercised its right to declare the PA1's Pennvest Loan in default, accelerated the Pennvest Loan and demanded that PA1 pay \$8,137,117 (principal, interest plus late charges) on or before October 24, 2014. PA1 did not make the payment and did/does not have the resources to make the payments demanded by Pennvest. PA1 commenced discussions and negotiations with Pennvest concerning this matter but Pennvest rejected PA1's proposal made during the fall of 2014. PA1 made a final proposal to Pennvest during September 2021 which proposal was also rejected by Pennvest. PA1 provided Pennvest with its financial statements (which include a description of system status) annually. During the 2021 fiscal year, Pennvest's auditors requested a 'corrective action plan' and PA1 informed Pennvest that "... there is no viable corrective action plan for the Pennvest Loan ('Loan'). The facility funded by the Loan has been shut down for many years (which has been disclosed in the annual financial reports to Pennvest and in public filings by the parent of Bion PA 1, LLC) and the technology utilized in the facility is now obsolete. The facility has not been commercially operated for approximately six years and has generated zero income. We recommend that Pennvest take appropriate steps to remove and sell the equipment." Pennvest responded favorably to the approach of selling the equipment.

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On December 29, 2021, the Company approved and executed a 'Consent of the Sole Member of Bion PA 1' (the "Consent to Dissolution") that authorized the complete liquidation and dissolution of PA1. A Statement of Dissolution was filed by PA1 with the Colorado Secretary of State on December 29, 2021. The Company is of the understanding that the liquidation value of Bion PA 1's property is substantially below the current amount outstanding under the Funding Agreement dated October 27, 2010 by and between PA1 and Pennvest, the only known secured creditor of PA1. Post-dissolution, PA1's activities will be limited entirely to activities required to properly distribute its net assets to creditors and wind down its business.

PA1 and Pennvest agreed to have the equipment sold by a third party auctioneer who arranged for the sale of its property and delivery of all proceeds (net of commissions and customary costs of sale) to Pennvest. The auction took place during the period between May 13-18, 2022. The Company's personnel assisted PA1 with this process as needed at no cost to PA1. The net sum of \$104,725 was realized from the asset sale, which sum was delivered to Pennvest on June 15, 2022. The remaining unsold assets will be transferred to Kreider Farms during the next quarter in order to complete the winding up of the Kreider 1 project.

Upon the complete distribution of all assets of PA1, whether by transfer or sale and distribution of net proceeds as provided above, PA1 will use commercially reasonable efforts to cause the cessation of all activities. No distributions of PA1's assets will be made to the Company or its affiliates. The Consent to Dissolution authorized Mark A. Smith, the Company's President and the sole manager of PA1, to cause to be delivered for filing the Statement of Dissolution, to give notice of the dissolution, and to take any other act necessary to wind up and liquidate the business.

PA1 has made no payments to vendors or other creditors in connection with the dissolution. No distributions or payments of any kind have ever been made to the Company, the sole member of PA1 since inception and no payment will be made to the Company or any affiliate in connection with the dissolution.

For more information regarding the history and background of the Pennvest Loan and PA1, please review our Form 10-K Annual Reports for the years from 2008 through 2021 including the Notes to the Financial Statements included therein.

Chesapeake Bay Watershed: Kreider Farms Projects/Pennsylvania Initiatives

The urgency and priority of the need to clean up nutrient (primarily nitrogen and phosphorus) pollution to the Chesapeake Bay was clearly demonstrated with promulgation of President Obama's 2009 Executive Order concerning clean-up of the Chesapeake Bay and the EPA's publication and issuance during December 2010 of the Chesapeake Bay Total Maximum Daily Load (TMDL) standard (<u>http://www.epa.gov/reg3wapd/tmdl/ChesapeakeBay/tmdlexec.html</u>) for nutrient pollution in Chesapeake Bay tributaries. In May 2010, the EPA published their overall strategy for remediating the Chesapeake Bay, and they have committed to reducing nitrogen and phosphorus flows to the Bay sufficiently to enable 60% of the Bay watershed segments to meet water quality standards by 2025. At that time, 89 of the 92 Bay and tidal watershed segments were not in compliance with water quality standards (97% were out of compliance). The EPA and associated state agencies also committed to short-term 3-year compliance milestones to enhance accountability and corrective actions, along with a host of definable and measurable goals, enhanced partnerships, and major environmental initiatives. Based on these actions, greater compliance has been required commencing with the 2016 'water year'. EPA documents defined the overall mission as requiring an approximately 65-million-pound annual reduction from existing nitrogen (N) loading to the Chesapeake Bay by 2025, of which 35 million pounds was allocated to Pennsylvania. Importantly, the 3-year compliance milestones were established as a part of the compliance program to add both short- and long-term accountability to state actions associated with reduced nutrient and sediment flows to the Chesapeake Bay. According to the EPA's Interim Evaluation of Pennsylvania's Milestone Progress published in June 2015, PA was 14.6 million pounds behind its 2014-2015 milestone commitments for nitrogen, a remarkably large deficit given the previously stated 2-million-pound deficit from the 2012-2013 water year. EPA has placed PA's

In an effort to get back on track and hold off federal intervention, PA unveiled a purported "comprehensive strategy" to "reboot" the state's efforts to improve water quality in January 2016. The reboot strategy relied upon a mix of enhanced farm compliance and enforcement activities along with the promotion of additional best management practices (BMP). This proposed strategy has been met with skepticism about its efficacy/practicality and resistance within the agricultural community. While many of these reboot efforts are continuing today, the PADEP Secretary resigned in May 2016 and PA appears to have slowed implementation efforts recently while seeking alternative approaches to reduce PA's nitrogen pollution to the Chesapeake Bay. The EPA has continued to reject PA's proposed plans related to the Chesapeake Bay clean-up mandate as inadequate. Recent reports indicate that PA is in need of 32 million pounds of nitrogen reductions to meet its requirements. Litigation has been initiated against PA and the EPA by neighboring states to compel performance by PA and enforcement by the EPA. The recent PA budget spending package that was passed by the PA legislature in 2022 includes allocation of some PA's remaining pandemic relief funding for clean water related to either the Chesapeake Bay compliance mandates or state water quality. However, it appears that the funds will likely be expended on existing unsuccessful programs and clean-up strategies.

As a result of PA's default of its Bay mandates, and the host of upcoming both short and long-term specific commitments and compliance deadlines, Bion believes that its long-term opportunity related to the Chesapeake Bay clean-up has potentially been significantly expanded and accelerated.

During 2008, Bion executed an agreement to install a Bion System at the Kreider Farms ("KF") in Lancaster County, Pennsylvania to reduce nitrogen (including ammonia emissions which are re-deposited as nitrogen from the atmosphere) and phosphorus in the farm's effluent. Bion undertook this project (through PA1) due, in large part, to Pennsylvania's nutrient credit trading program, which was established to provide cost-effective reductions of the excess flow of nutrients (nitrogen and phosphorus) into the Chesapeake Bay

watershed. Bion worked extensively with the Pennsylvania Department of Environmental Protection ('PADEP') over several years to establish nutrient credit calculation/ verification methodologies that were appropriate to Bion's 2G Tech and recognizes its 'multi-media' (both water and atmospheric) approach to nutrient reductions. Pennsylvania's nutrient credit trading program allows for voluntary credit trading between a 'non-point source' (such as a dairy or other agricultural sources) and a 'point source' polluter, such as a municipal waste water treatment plant or a housing development. However, the market for long term Credits in PA has failed to develop any significant breadth or depth and no Credits were sold by PA1 from the Kreider 1 system.

The original Kreider agreements also provided for Bion to develop a waste treatment/renewable energy production facility to treat the waste from Kreider's approximately 6+ million chickens (planned to expand to approximately 9-10 million)(and potentially other poultry operations and/or other waste streams)('Kreider Renewable Energy Facility' or ' Kreider 2 Project'). On May 5, 2016, the Company executed a stand-alone joint venture agreement ('JVA') with Kreider Farms covering all matters related to development and operation of a system to treat the waste streams from Kreider's poultry facilities in Bion PA2 LLC ("PA2"). Bion anticipates that it will execute an updated JVA with Kreider Farms during the current fiscal year which will include utilization of Bion's Gen3Tech and other matters. The Company continues its pre-development work related to the details of the Kreider 2 Project. For more information regarding the history and background of the Kreider 2 Project, please review our Forms 10-K for the years from 2008 through 2021.

The Company believes that Pennsylvania is potentially 'ground zero' in the long-standing clean water battle between agriculture and the further regulation of agriculture relative to nutrient impacts. The ability of Bion and other technology providers to achieve verified reductions from agricultural non-point sources can resolve the current stalemate and enable implementation of constructive solutions that benefit all stakeholders, providing a mechanism that ensures that taxpayer funds will be used to achieve the most beneficial result at the lowest cost, regardless of source. All sources, point and non-point, rural and urban, will be able to compete for tax payer-funded nitrogen reductions in a fair and transparent process; and since payment from the tax and rate payers would now be performance-based, these providers will be held financially accountable.

See the extended additional discussion regarding these matters in our Annual Reports on Form 10-K for the year ended June 30, 2021 and prior years.

RECENT FINANCINGS

Sales of Common Stock during 2023 and 2022 Fiscal Years

During the year ended June 30, 2023 the Company entered into subscription agreements to sell units for \$1.00 per unit, with each unit consisting of one share of the Company's restricted common stock and one warrant to purchase one share of the Company's restricted common stock for \$1.25 per share with an expiry date of 12/31/2023, and pursuant thereto, the Company issued 346,230 units for total proceeds of \$346,230.

During the year ended June 30, 2023 the Company entered into subscription agreements to sell shares for \$1.00 per share and pursuant thereto, the Company issued 2,000,000 of the Company's restricted common stock for total proceeds of \$2,000,000.

During the year ended June 30, 2023 the Company entered into subscription agreements to sell units for \$1.60 per unit, with each unit consisting of one share of the Company's restricted common stock and one-half warrant to purchase shares of the Company's restricted common stock for \$2.40 per share with an expiry date of 6/30/2024 and pursuant thereto, the Company issued 975,000 units for total proceeds of \$1,560,000, net proceeds of \$1,473,600 after commissions of \$86,400.

During the year ended June 30, 2023, 175,114 warrants were exercised to purchase 175,114 shares of the Company's common stock at \$0.75 per share for total proceeds of \$131,335.

During the year ended June 30, 2023 Mark Smith elected to convert \$50,000 of his 2020 Convertible Obligation into 100,000 units at \$0.50 per unit (pursuant to the 2006 Consolidated Incentive Plan) with each unit consisting of one share of common stock and one warrant to purchase one share of the Company's stock for \$0.75 per share until 12/31/2024.

During the year ended June 30, 2023 Mark Smith elected to convert \$99,889 of his Adjusted 2020 Convertible Obligation into 1,055,906 units at \$0.0946 per unit (pursuant to the 2006 Consolidated Incentive Plan) with each unit consisting of one share of common stock and one warrant to purchase one share of the Company's stock for \$0.75 per share until March 2026.

During the year ended June 30, 2023 Mark Smith elected to convert \$36,573 of his Adjusted 2020 Convertible Obligation into 386,608 units at \$0.0946 per unit (pursuant to the 2006 Consolidated Incentive Plan) with each unit consisting of one share of common stock and one warrant to purchase one share of the Company's stock for \$0.75 per share until March 2026.

During the year ended June 30, 2023 the Company issued 82,259 shares for services of \$130,000.

During the year ended June 30, 2022, 2,315,550 warrants were exercised to purchase 2,315,550 shares of the Company's common stock at \$0.75 per share for total proceeds of \$1,736,662, net proceeds of \$1,718,061 after commissions of \$18,601.

During the year ended June 30, 2022, Smith elected to convert accounts payable of \$17,711 into an aggregate of 35,424 units at \$0.50 per unit (pursuant to the 2006 Consolidated Incentive Plan) with each unit consisting of one share of the common stock and one warrant to purchase one share of the Company's stock for \$0.75 per share until December 31, 2024.

During the year ended June 30, 2022, the Company issued 25,000 units at \$1.10 per until for services of \$27,500.

COMPETITION:

There are a significant number of potential competitors in the industries in which Bion is working, including livestock waste treatment, renewable energy production, and the production of sustainable beef products.

There are a host of competitors working in the livestock waste treatment space. One efficient way to assess competition in these spaces is to review the Newtrient, LLC catalogue which is produced by an organization created by the dairy industry to help farmers, technology providers, manure-based product developers and other stakeholders assess manure related challenges and opportunities. Many of the technologies reviewed by and organized by Newtrient in their catalog, such as Bion, address manure streams in addition to dairy. The potential competition has increased with the growing governmental and public concern focused on pollution due to CAFO wastes. Waste treatment lagoons which depend on anaerobic microorganisms ("anaerobic lagoons" or "ADs") are the most common traditional treatment process for animal waste on large farms within the swine and dairy industries. Additionally, many beef feedlots, poultry facilities and dairy farms simply scrape and accumulate manure for later field application. Both lagoon and scrape/pile manure storage approaches are coming under increasing regulatory pressure due to associated odor, nutrient management and water quality issues and are facing possible phase-out in some states.

Although we believe that Bion's comprehensive solution is the most economically and technologically viable solution for the current problems, other alternative (though partial) solutions do exist, including, for example, synthetic lagoon covers (which are placed on the top of the water in the lagoon to trap the gases), stand-alone ADs (a tank which uses anaerobic microorganisms to break down the waste to produce methane), multistage and solids separators (processes which separate large solids from fine solids), as well as

various thermal waste-to-energy technologies. Additionally, many efforts are underway to develop and test new technologies.

There is a growing industry associated with the production of fertilizer products produced from nutrients captured in CAFO manure streams. Many technology firms, including Bion, have figured out how to generate nonsynthetic products which are certified for organic production, which enables a higher valuation. Bion and its competitors are working hard to improve the production efficiency of these products while reducing production costs. Bion, as documented in its patents, has invented a non-synthetic process to produce animonium nitrogen fertilizer in solid and liquid forms. To our understanding, no other manure nutrient technology firm has figured out a way to match our development of a solid animonium nitrogen fertilizer.

Competition in the renewable energy generation space is growing in the agricultural sector, predominantly from the growth in anaerobic digestion (AD) projects designed to reduce odors and generate revenues from captured energy and reduced carbon footprints. AD projects are primarily associated with the dairy sector as the manure is mostly already captured and therefore there are minimal infrastructure projects required to add on AD technology. We intend to evaluate the use of our technology as a 'bolt-on' behind dairy ADs once we have complete date from our Initial Project. Therefore, such 'competitors may be turned into customers for Bion. W We are predominantly focused on generating AD projects at beef cattle finishing operations, an area in which very few ADs have been implemented. There is not much competition in that space as most current beef feedlots do not engage in the type of efficient manure collection which is a required prerequisite for AD economics. Bion has also engaged with solar photovoltaic (PV) developers to install PV panels on barn roofs, and there is some competition in that space, but again not much in the beef cattle finishing sector.

Third there is competition in the space of production of sustainable beef products. A number of ranches and beef producers are working with various third-party certification organizations to document the sustainable practices that are being implemented. Bion is working in a similar manner. All investments in this area are subject to competition and decisions made by consumers---including 'how much will a consumer pay for truly sustainable beef products vs. standard conventional feedlot produced beef?'

Our ability to compete is dependent upon favorable regulatory conditions, our ability to obtain required approvals and permits from regulatory and other authorities and upon our ability to introduce and market our Systems in the appropriate industry and geographic segments.

There are many companies that are already selling products to satisfy demand in the sectors of these markets we are trying to enter. Many of these companies have established marketing and sales organizations and customer commitments, are supporting their products with advertising, sometimes on a national basis, and have developed brand name recognition and customer loyalty in many cases.

Because Bion systems offer a comprehensive waste treatment solution that is designed to produce/augment up to four separate and distinct revenue streams, the Company believes that it has the ability to be competitive in each of the sectors from which it derives revenue.

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DEPENDENCE ON ONE OR A FEW MAJOR CUSTOMERS

In our JVs/Projects (including Integrated Projects) business segment, we will most likely be dependent upon one or a few major customers/partners/joint venturers since a relatively limited number of JVs and/or Projects (including Integrated Projects) will be developed by the Company. We anticipate initially developing, owning interests in, and operating only one or a small number of Projects commencing during 2023 and, thereafter, developing a limited number of Projects at a time. Thus, at least for the near future, our revenues will be dependent on a relatively small number of major Projects, participants and/or customers.

PATENTS

We are the sole owner of five United States patents. Additionally, Bion has two United States patent applications pending and has three International patent applications currently pending.

Patent Numbers and date of issue:

United States Currently Issued:

- (1) 8,287,734: Method for Treating Nitrogen in Waste Streams: (OCN) Jere Northrop & James W. Morris (Exp 3/20/31)
- (2) 10,106,447: Process to Recover Ammonium Bicarbonate from Wastewater: Morton Orentlicher & Mark M. Simon. (Exp. 9/14/2035)
- (3) 10,604,432: Process to Recover Ammonium Bicarbonate from Wastewater; Dominic Bassani, Steve Pagano, Morton Orentlicher & Mark M. Simon. (Exp 6/29/2037)
- (4) 10,793,458: Process to Recover Ammonium Bicarbonate from Wastewater; Dominic Bassani, Steve Pagano, Morton Orentlicher & Mark M. Simon. (Exp 9/14/2035)
- (5) 11,254,581: Process to Recover Ammonium Bicarbonate from Wastewater; Dominic Bassani, Morton Orentlicher, Mark M. Simon & Steve Pagano. (Exp 9/14/2035)

We are also the sole owner of, or possess the contractual right to acquire exclusive patent rights to, a pending United States provisional patent application, a pending United States utility patent application and three international applications as set forth below:

United States Currently Pending:

- (1) 63/512,361 (provisional): Methods For Recovering Ammonium Compounds From A Waste Stream; Dominic Bassani & Steve Pagano. (Exp 7/07/2024)
- (2) 17/589,037: Process to Recover Ammonium Bicarbonate from Wastewater; Dominic Bassani, Steve Pagano, Morton Orentlicher & Mark M. Simon.

International Applications Currently Pending:

- (1) EP 18943551.4: Process to recover ammonium bicarbonate from wastewater; Dominic Bassani, Steve Pagano, Morton Orentlicher & Mark M. Simon.
- (2) CA3123802A1: Process to recover annonium bicarbonate from wastewater; Dominic Bassani, Steve Pagano, Morton Orentlicher & Mark M. Simon.
- (3) MX/a/2021/007358: Process to recover ammonium bicarbonate from wastewater; Dominic Bassani, Steve Pagano, Morton Orentlicher & Mark M. Simon.

In addition to such factors as innovation, technological experies and experienced personnel, we believe that a strong patent position is increasingly important to compete effectively in the businesses on which we are focused. It is likely that we will file applications for additional patents in the future. There is, however, no assurance that any such patents will be granted.

The Company has elected to expense all costs and filing fees related to obtaining patents (resulting in no related asset being recognized in the Company's consolidated balance sheets) because the Company believes such costs and fees are immaterial (in the context of the Company's total costs/expenses) and have no direct relationship to the value of the Company's patents.

It may become necessary or desirable in the future for us to obtain patent and technology licenses from other companies relating to technologies that may be employed in future products or processes. To date, we have not received notices of claimed infringement of patents based on our existing processes or products, but due to the nature of the industry, we may receive such claims in the future.

We generally require all of our employees and consultants, including our management, to sign a non-disclosure and invention assignment agreements upon employment with us.

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We generally require all of our employees and consultants, including our management, to sign a non-disclosure and invention assignment agreements upon employment with us.

RESEARCH AND DEVELOPMENT

Current research and development work is focused on completion of the development and ongoing improvement of our Gen3Tech (the initial version of which is ready for implementation in an appropriate Project) with emphasis on increased recovery of valuable by-products (including nutrients in organic and/or non-organic forms, production of renewable energy from by-products together with related renewable energy and/or environmental credits). Bion believes its Gen3Tech will produce significantly greater value from the CAFO waste streamthrough the recovery of a concentrated natural nitrogen fertilizer and pipeline-quality natural gas. See discussion of Initial Project above.

During the years ended June 30, 2023 and June 30, 2022, respectively, we expended approximately \$79,000 and \$178,000 (excluding non-cash stock-based compensation) on research and development activities related to our technology platform applications in support of large-scale, economically and environmentally sustainable Projects and Retrofits. Since the 2018 fiscal year, Bion's research and development has been primarily focused on development work to complete and further refine development of our Gen3Tech which will have the capacity to process dry, poultry CAFO waste streams in addition to wet dairy/beef/swine CAFO waste streams and increase our ability to recover marketable byproducts from the waste stream remediation including renewable natural gas and nitrogen products (organic and non-organic). Some work has also involved modifying and adding unit processes to our Gen3Tech platform with the objective of reducing capital costs and operating costs, while generating commercial equivalent by-products (and therefore, potential revenue streams) and significantly increasing environmental efficiency. As a result of these efforts (including their continuation during the current period), Bion made new (and supplemental) patent filing(s) during the 2019-2021 fiscal years related to our Gen3Tech. The Company anticipates completion of its pilot system and pre-commercial testing for its Gen3Tech by end of the current calendar year to support design finalization for our initial Gen3Tech systems. Our technology focus is to separate and aggregate the various "assets" in the waste stream and then to re-assemble them to maximize their economic value. Our current research and development efforts have been focused on developments that will minimize water removal requirements thereby significantly reducing the associated energy costs. In addition, current efforts are focused on fertilizer and soil amendment products (organic and inorganic), water reuse, environmental and reduction credits (including but not limited to nutrient, carbon, sediment, water and pathogen reduction) while reducing capital costs and operating costs. Bion continues to focus on "normalizing" its technology platform for use on multiple species. This effort has required significant work and resource allocation on research regarding balancing the activities of each unit process so that its output enables the subsequent unit processes to maximize efficiency and discharge to the subsequent unit process in order to produce a feedstock cost effectively. The by-products of this series of unit processes (which include certain Bion proprietary elements) are then "reassembled" into products to maximize their economic value. To date, research and development results have supported our objectives.

Environmental Protection/Regulation and Public Policy

In regards to Retrofits and development of Projects, we will be subject to extensive environmental (and other) regulations related to CAFOs, biofuel production and end product (e.g. fertilizer) producers. To the extent that we are a provider of systems and services to others that result in the reduction of pollution, we are not under direct enforcement or regulatory pressure. However, we are involved in the business of CAFO waste treatment and are impacted by environmental regulations in at least four different ways:

- Our marketing and sales success depends, to a substantial degree, on the pollution clean-up requirements of various governmental agencies, from the Environmental Protection Agency (EPA) at the federal level to state and local agencies;
- Our System design and performance criteria must be responsive to the changes in federal, state and local environmental agencies' effluent and emission standards and other requirements;
- · Our System installations and operations require governmental permits and/or other approvals in many jurisdictions; and
- To the extent we own or operate Projects (including Integrated Projects with CAFO facilities and ethanol plants), those facilities will be subject to environmental regulations.

Additionally, our activities are affected by many public policies and regulations (federal, state and local) related to other industries such as agriculture, food, energy, municipal waste and storm water treatment, watershed-wide mandates, and others. For example, the existing differences in the regulatory requirements for agriculture versus municipal wastewater clean-up currently in place have negatively impaired the development of viable markets for nutrient reduction credits.

Bion system installations and operations may require verification and compliance with an assortment of voluntary regulatory programs, such as the USDA Organic and USDA Process Verified branding programs. Each of these programs has a series of compliance verification steps that need to be met in order to maintain proper standing for use of the USDA shield on packaging.

EMPLOYEES

As of September 1, 2023, we had 8 employees and primary consultants, all of whom are performing services for the Company on a full-time basis. The Company utilizes other consultants and professionals on an 'as needed' basis. Our future success depends in significant part on the continued service of our key personnel and the ability to hire additional qualified personnel. The competition for highly qualified personnel is intense, and there can be no assurance that we will be able to retain our key managerial and technical employees or that we will be able to attract and retain additional highly qualified technical and managerial personnel in the future. None of our employees is represented by a labor union, and we consider our relations with our employees to be good. None of our employees is covered by "key person" life insurance.

ITEM 1A. RISK FACTORS.

Not applicable.

Not applicable.

ITEM 2. PROPERTIES.

The Company maintains its corporate offices at 9 East Park Court, Old Bethpage, New York 11804, the home of its office manager/bookkeeper, and its main corporate telephone number is (516) 586-5643.

We are the sole owner of five United States patents. Additionally, Bion has two United States patent applications pending and has three international patent applications currently pending. (See Item 1, "Patents" above).

ITEM 3. LEGAL PROCEEDINGS.

The Company is currently involved in no litigation matters except:

A: Website: Domain Sale/Resolved Litigation/Hacking/Theft

On March 23, 2022 the Company entered into an agreement to sell domain name <biontech.com> and other related assets to BioNTech SE ("BNTX") for the sum of \$950,000 (before expenses related to the transaction) which sale was closed/completed on April 2, 2022 with a one-time gain of \$902,490. The Company has been using www.bionenviro.com as its primary website (and domain) since July 2021 due to the events described below. The Company has not been using biontech.com> no longer represented a core asset of the Company.

As previously reported, on Saturday morning, July 17, 2021, our historical website domain – biontech.com– and email services were compromised and disabled. Research indicated that an unknown party had 'hijacked' the domain in a theft attempt. On September 10, 2021, the Company filed a federal lawsuit 'in rem' to recover the
biontech.com> domain and the unknown 'John Doe' who hacked and attempted to steal the website. The litigation was filed in the United States District Court for the Eastern District of Virginia, Alexandria Division under the heading 'Bion Environmental Technologies, Inc., Plaintiff, vs John Doe and
biontech.com>, Defendants' (Case No. 1:21-cv-01034), seeking recovery of the domain name and other relief as set forth therein.

On November 19, 2021, the United States District Court for the Eastern District of Virginia, Alexandria Division issued an order stating that "... ORDERED, ADJUDGED and Decreed that plaintiff Bion Environmental Technologies, Inc. ('plaintiff) Is the lawful owner of domain name <biointech.com>" under the heading 'Bion Environmental Technologies, Inc., Plaintiff, vs John Doe and <biointech.com>, Defendants' (Case No. 1:21-cv-01034). The Company has moved the domain name <biointech.com> to a new registrar and reactivated it for the Company's use (paired currently with its current bionenviro.com website).

No shareholder, sensitive or confidential information was available to be breached which has limited damages from the hack/theft to date. However, the Company's email operations were subject disruption and expenses were incurred related to the matter including legal fees.

The Company created 'work-arounds' as a result. These issues have been resolved and the Company has moved our website (and email) to a new domain: bionenviro.com. Website access is now www.bionenviro.com. To send emails to Bion personnel, one uses the same name identifier previously used, but in the address, substitute 'bionenviro.com' for "biontech.com': For example cscott@biontech.com (no longer functional) is cscott@bionenviro.com and mas@biontech.com (no longer functional) is now mas@bionenviro.com.

B: Pennvest Loan and Dissolution of Bion PA1, LLC ("PA1")

PA1, the Company's wholly-owned subsidiary, was dissolved on December 29, 2021 on which date it owed approximately \$10,010,000 under the terms of the Pennvest Loan related to the construction of the Kreider 1 System including accrued interest and late charges totaling \$2,255,802 as of that date. Through the date of the dissolution, PA1 was a wholly-owned subsidiary of the Company and its assets and liabilities were included on the Company's consolidated balance sheets. At September 30, 2021, PA1's total assets were \$297 and its total liabilities were \$10,154,334 (including the Pennvest Loan in the aggregate amount of \$9,939,148, accounts payable of \$214,235 and accrued liabilities of \$950) which sums were included in the Company's consolidated balance sheets in its Form 10-Q for the quarter ended September 30, 2021. Subsequent to the dissolution of PA1, its assets and liabilities are no longer consolidated and included in the Company's balance sheets. As of December 29, 2021, PA1's total assets were \$10,234,501 (including the Pennvest Loan in the aggregate amount of \$212,263 and accrued liabilities of \$12,436. The net amount of \$10,234,501 was recognized as a gain on the legal dissolution of a subsidiary in other (income) expense.

As background, the terms of the Pennvest Loan provided for funding of up to \$7,754,000 which was to be repaid by interest-only payments for three years, followed by an additional ten-year amortization of principal. The Pennvest Loan accrued interest at 2.547% per annum for years 1 through 5 and 3.184% per annum for years 6 through maturity. The Pennvest Loan required minimum annual principal payments of approximately \$5,886,000 in fiscal years 2013 through 2021, and \$846,000 in fiscal year 2022, \$873,000 in fiscal year 2023 and \$149,000 in fiscal year 2024. The Pennvest Loan was collateralized by PA1's Kreider 1 System and by a pledge of all revenues generated from Kreider 1 including, but not limited to, revenues generated from nutrient reduction credit sales and by-product sales. In addition, in consideration for the excess credit risk associated with the project, Pennvest was entitled to participate in the profits from Kreider 1 calculated on a net cash flow basis, as defined. The Company has incurred interest expense related to the Pennvest Loan of \$123,444 and \$246,887 for the years ended June 30, 2022 and 2021, respectively. Based on the limited development of the depth and breadth of the Pennvest Loan during 2013. In the context of such negotiations, PA1 elected not to make interest payments to Pennvest on the Pennvest Loan since January 2013. Additionally, the PA1 did not make any principal payments, which were to begin in fiscal 2013, and, therefore, the Company classified the Pennvest Loan as a current liability through the dissolution of PA1 on December 29, 2021.

During August 2012, the Company provided Pennvest (and the PADEP) with data demonstrating that the Kreider 1 system met the 'technology guaranty' standards which were incorporated in the Pennvest financing documents and, as a result, the Pennvest Loan has been solely an obligation of PA1 since that date. Note, however, the Company's consolidated balance sheets as of June 30, 2021 reflects the Pennvest Loan as a liability of \$9,868,495 despite the fact that the obligation (if any) was solely an obligation of PA1.

On September 25, 2014, the Pennsylvania Infrastructure Investment Authority ("Pennvest") exercised its right to declare the PA1's Pennvest Loan in default, accelerated the Pennvest Loan and demanded that PA1 pay \$8,137,117 (principal, interest plus late charges) on or before October 24, 2014. PA1 did not make the payment and did/does not have the resources to make the payments demanded by Pennvest. PA1 commenced discussions and negotiations with Pennvest concerning this matter but Pennvest rejected PA1's proposal made during the fall of 2014. PA1 made a final proposal to Pennvest during September 2021 which proposal was also rejected by Pennvest. PA1 provided Pennvest with its financial statements (which include a description of system status) annually. During the 2021 fiscal year, Pennvest's auditors requested a 'corrective action plan' and PA1 informed Pennvest that "... there is no viable corrective action plan for the Pennvest Loan ('Loan'). The facility funded by the Loan has been shut down for many years (which has been disclosed in the annual financial reports to Pennvest and in public filings by the parent of Bion PA 1, LLC) and the technology utilized in the facility is now obsolete. The facility has not been commercially operated for approximately six years and has generated zero income. We recommend that Pennvest take appropriate steps to remove and sell the equipment." Pennvest responded favorably to the approach of selling the equipment.

On December 29, 2021, the Company approved and executed a 'Consent of the Sole Member of Bion PA 1' (the "Consent to Dissolution") that authorized the complete liquidation and dissolution of PA1. A Statement of Dissolution was filed by PA1 with the Colorado Secretary of State on December 29, 2021. The Company is of the understanding that the liquidation value of Bion PA 1's property is substantially below the current amount outstanding under the Funding Agreement dated October 27, 2010 by and between PA1 and Pennvest, the only known secured creditor of PA1. Post-dissolution, PA1's activities will be limited entirely to activities required to properly distribute its net assets to creditors and wind down its business.

PA1 and Pennvest agreed to have the equipment sold by a third party auctioneer who arranged for the sale of its property and delivery of all proceeds (net of commissions and customary costs of sale) to Pennvest. The auction took place during the period between May 13-18, 2022. The Company's personnel assisted PA1 with this process as needed at no cost to PA1. The net sum of \$104,725 was realized from the asset sale, which sum was delivered to Pennvest on June 15, 2022. The remaining unsold assets will be transferred to Kreider Farms during the next quarter in order to complete the winding up of the Kreider 1 project.

Upon the complete distribution of all assets of PA1, whether by transfer or sale and distribution of net proceeds as provided above, PA1 will use commercially reasonable efforts to cause the cessation of all activities. No distributions of PA1's assets will be made to the Company or its affiliates. The Consent to Dissolution authorized Mark A. Smith, the Company's President and the sole manager of PA1, to cause to be delivered for filing the Statement of Dissolution, to give notice of the dissolution, and to take any other act necessary to wind up and liquidate the business.

PA1 has made no payments to vendors or other creditors in connection with the dissolution. No distributions or payments of any kind have ever been made to the Company, the sole member of PA1 since inception and no payment will be made to the Company or any affiliate in connection with the dissolution.

For more information regarding the history and background of the Pennvest Loan and PA1, please review our Form's 10-K for the years from 2008 through 2021 including the Notes to the Financial Statements included therein.

The Company currently is not involved in any other material litigation or similar events.

ITEM 4. MINE SAFETY DISCLOSURES.

None.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

(a) Market Information

Our common stock is quoted on the Over-The-Counter Electronic Bulletin Board under the symbol "BNET." The following quotations reflect inter dealer prices, without retail mark up, markdown or commissions and may not represent actual transactions.

| | | 20 | 23 | | 2022 | | | | |
|----------------------------|----|------|----|-------|------|------|----|------|--|
| Fiscal Year Ended June 30, | | High | | Low | | High | | Low | |
| First Fiscal Quarter | \$ | 1.68 | \$ | 0.93 | \$ | 1.80 | \$ | 1.15 | |
| Second Fiscal Quarter | \$ | 1.36 | \$ | 0.85 | \$ | 1.66 | \$ | 0.81 | |
| Third Fiscal Quarter | \$ | 2.20 | \$ | 1.25 | \$ | 1.40 | \$ | 0.80 | |
| Fourth Fiscal Quarter | \$ | 1.64 | \$ | 1.125 | \$ | 1.27 | \$ | 0.80 | |
| (b) Holders | | | | | | | | | |
| | | | | | | 1.40 | | | |

The number of holders of record of our common stock at September 1, 2023 was approximately 1,300. Many of our shares of common stock are held by brokers and other institutions on behalf of stockholders, so we are unable to estimate the number of stockholders represented by these record holders.

The transfer agent for our common stock is Equiniti, 3200 Cherry Creek Drive South, Suite 430, Denver, Colorado 80209.

(c) Dividends

We have never paid any cash dividends on our common stock. Our board of directors does not intend to declare any cash dividends in the foreseeable future, but instead intends to retain earnings, if any, for use in our business operations. The payment of dividends, if any, in the future is within the discretion of the board of directors and will depend on our future earnings, if any, our capital requirements and financial condition, and other relevant factors.

No preferred shares are outstanding at this time. During fiscal year 2023 the Company paid an aggregate dividend of \$0 cash, respectively, on shares of Series B Preferred Stock and Series C Preferred Stock which were outstanding during the year. A dividend of \$1,000 was accrued on Series B Preferred Stock during the 2022 fiscal year. From July 1, 2014, the Company had 200 shares of Series B redeemable convertible Preferred stock outstanding with a par value of \$0.01 per share, convertible at the option of the holder at \$2.00 per share, with dividends accrued and payable at 2.5% per quarter. The Series B Preferred stock was mandatorily redeemable at \$100 per share by the Company three years after issuance and accordingly was classified as a liability. The 200 shares have reached their maturity date and the Company approved the redemption of the Series B preferred stock during the quarter ended December 31, 2021 and the final 200 shares of Series B redeemable convertible Preferred stock were redeemed for \$41,000, which included the \$21,000 in accrued dividend payable.

(d) Securities Authorized for Issuance Under Equity Compensation Plans

In June 2006 the Company adopted its 2006 Consolidated Incentive Plan, as amended ("Plan"), which terminated all prior plans and merged them into the Plan. The Plan was ratified by the Company's shareholders in October 2006 (and has been amended multiple times since initial ratification). Under the Plan, Directors may grant Shares, Options, Stand Alone Stock Appreciation Rights ("SAR's"), shares of Restricted Stock, shares of Phantom Stock and Stock Bonuses and other items with respect to a number of Common Shares that in the aggregate does not exceed 36,000,000 shares. The maximum number of Common Shares for which Incentive Awards, including Incentive Stock Options, may be granted to any one Participant shall not exceed 2,000,000 shares in any one calendar year; and the total of all cash payments to any one participant pursuant to the Plan in any calendar year shall not exceed \$1,500,000. As of June 30, 2023 12,006,600 options have been granted and outstanding under the Plan (as amended), including all options granted under prior merged plans, and were merged into the 2021 Equity Incentive Plan. As of June 30, 2023, the Company had no outstanding contingent Stock Bonuses.

In December 2021 the Company adopted its 2021 Equity Incentive Plan, as amended ("2021 Equity Plan"). The 2021 Equity Plan was ratified by the Company's shareholders in April 2022. Under the 2021 Equity Plan, Directors may grant Shares, Options, Stand Alone Stock Appreciation Rights ("SAR's"), shares of Restricted Stock, shares of Phantom Stock and Stock Bonuses and other items with respect to a number of Common Shares that in the aggregate does not exceed 30,000,000 shares. The maximum number of Common Shares for which Incentive Awards, including Incentive Stock Options, may be granted to any one Participant shall not exceed 2,500,000 shares in any one calendar year. As of June 30, 2022 nil options have been granted and outstanding under the 2021 Equity Plan. As of June 30, 2023, the Company had no outstanding contingent Stock Bonuses.

Equity Compensation Plan Information

The following table summarizes share and exercise price information about the Company's 2006 equity compensation plans as of June 30, 2023:

2006 Equity Compensation Plan table

| Plan category | Number of securities to be issued upon the exercise of outstanding options, warrants and rights | Weighted average exercise price of outstanding options, warrants and rights | Number of Securities remaining available for future issuance under equity compensation plans |
|--|--|--|---|
| Equity compensation plans approved by security holders | 29,078,033 | 0.58 | 6,921,967 |
| | | | |
| Equity compensation plans not approved by security holders | _ | _ | _ |
| | | | |
| Total | 29,078,033 | 0.58 | 6,921,967 |

(e) Recent Sales of Unregister Securities

During the year ended June 30, 2023 the Company entered into subscription agreements to sell units for \$1.00 per unit, with each unit consisting of one share of the Company's restricted common stock and one warrant to purchase on share of the Company's restricted common stock for \$1.25 per share with an expiry date of 12/31/2023, and pursuant thereto, the Company issued 346,230 units for total proceeds of \$346,230.

During the year ended June 30, 2023 the Company entered into subscription agreements to sell shares for \$1.00 per share and pursuant thereto, the Company issued 2,000,000 of the Company's restricted common stock for total proceeds of \$2,000,000.

During the year ended June 30, 2023 the Company entered into subscription agreements to sell units for \$1.60 per unit, with each unit consisting of one share of the Company's restricted common stock and one-half warrant to purchase shares of the Company's restricted common stock for \$2.40 per share with an expiry date of 6/30/2024 and pursuant thereto, the Company issued 975,000 units for total proceeds of \$1,560,000, net proceeds of \$1,473,600 after commissions of \$86,400.

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During the year ended June 30, 2023, 175,114 warrants wee exercised to purchase 175,114 shares of the Company's common stock at \$0.75 per share for total proceeds of \$131,335.

During the year ended June 30, 2023 Mark Smith elected to convert \$50,000 of his 2020 Convertible Obligation into 100,000 units at \$0.50 per unit (pursuant to the 2006 Consolidated Incentive Plan) with each unit consisting of one share of common stock and one warrant to purchase one share of the Company's stock for \$0.75 per share until 12/31/2024.

During the year ended June 30, 2023 Mark Smith elected to convert \$99,889 of his Adjusted 2020 Convertible Obligation into 1,055,906 units at \$0.0946 per unit (pursuant to the 2006 Consolidated Incentive Plan) with each unit consisting of one share of common stock and one warrant to purchase one share of the Company's stock for \$0.75 per share until March 2026.

During the year ended June 30, 2023 Mark Smith elected to convert \$36,573 of his Adjusted 2020 Convertible Obligation into 386,608 units at \$0.0946 per unit (pursuant to the 2006 Consolidated Incentive Plan) with each unit consisting of one share of common stock and one warrant to purchase one share of the Company's stock for \$0.75 per share until March 2026.

During the year ended June 30, 2023 the Company issued 82,259 shares for services of \$130,000.

During the year ended June 30, 2022, 2,315,550 warrants were exercised to purchase 2,315,550 shares of the Company's common stock at \$0.75 per share for total proceeds of \$1,736,662, net proceeds of \$1,718,061 after commissions of \$18,601.

During the year ended June 30, 2022, Smith elected to convert accounts payable of \$17,711 into an aggregate of 35,424 units at \$0.50 per unit (pursuant to the 2006 Consolidated Incentive Plan) with each unit consisting of one share of the common stock and one warrant to purchase one share of the Company's stock for \$0.75 per share until December 31, 2024.

During the year ended June 30, 2022, the Company issued 25,000 units at \$1.10 per until for services of \$27,500.

During the year ended June 30, 2021, the Company entered into subscription agreements, under three different offerings, to sell units for \$0.50 per unit, with each unit consisting of one share of the Company's restricted common stock and one warrant to purchase one share of the Company's restricted common stock for \$0.75 per share with an expiry date of December 31, 2021 and pursuant thereto, the Company issued 3,720,000 units for total proceeds of \$1,860,000, net proceeds of \$1,699,000 after commissions of \$161,000.

During the year ended June 30, 2021 300,000 shares of the Company's restricted company stock were sold to an investor for \$300,000.

During the year ended June 30, 2021, 129,364 shares of its unregistered common stock were issued as commissions.

During the year ended June 30, 2021, the company issued 1,186,824 units to various employees/consultants upon the conversion of debt pursuant to the 2006 Consolidated Incentive Plan with each unit consisting of one share of the common stock and one warrant to purchase one share of the Company's stock for \$0.75 per share until June 30, 2023.

During the year ended June 30, 2021, Mark Smith elected to convert deferred compensation, accrued interest and accounts payable of \$124,698, \$3,342 and \$52,360 respectively into

an aggregate of 360,805 units at \$0.50 per unit, pursuant to the 2006 Consolidated Incentive Plan with each unit consisting of one share of the common stock and one warrant to purchase one share of the Company's stock for \$0.75 per share until December 31, 2024.

During the year ended June 30, 2021, the Company issued 144,000 units to Mr. Smith for salary of \$72,000, pursuant to the 2006 Consolidated Incentive Plan with each unit consisting of one share of the common stock and one warrant to purchase one share of the Company's stock for \$0.75 per share until December 31, 2024.

During the year ended June 30, 2021, 4,065,988 warrants were exercised to purchase 4,065,988 shares of the Company's common stock at \$0.75 per share for total proceeds of \$3,049,491.

TEM 6. SELECTED FINANCIAL DATA.

N/A

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

This Annual Report on Form 10-K (and the documents incorporated herein by reference) contain forward-looking statements, within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), that involve substantial risks and uncertainties. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "may," "will," "expect," "intend," "estimate," "anticipate," "project," "predict," "plan," "believe," or "continue," or the negative thereof or variations thereon and/or references to "goals", "targets", "projections" or similar terminology. The expectations reflected in forward-looking statements may prove to be incorrect. The Company's actual results of operations, most of which are beyond the Company's control, could differ materially. We wish to caution readers not to place undue reliance on any such forward looking statements, which speak only as of the date made. Any forward-looking statements represent management's best judgment as to what may occur in the future. However, forward looking statements are subject to risks, uncertainties and important factors beyond our control that could cause actual results and events to differ materially from historical results of operations and events and those presently anticipated or projected.

These factors include adverse economic conditions, entry of new and stronger competitors, inadequate capital and limited ability to obtain financing, needed personnel (including entire team related to project development and project operations in coming years) and equipment, unexpected costs, failure (or delay) to gain product certifications and/or regulatory approvals in the United States (or particular states) or foreign countries, loss (permanently or for any extended period of time) of the services of members of the Company's small core management team (many of whom are age 70 or older) and failure to capitalize upon access to new markets. Additional risks and uncertainties that may affect forward looking statements about Bion's business and prospects include: i) the possibility that markets for nutrient reduction credits (discussed below) and/or other ways to monetize nutrient reductions and other environmental benefits will be slow to develop (or not develop at all), ii) PA1's dissolution and its effect on how the Company is viewed, (if any), iii) the possibility that competitors will develop more comprehensive and/or less expensive environmental solutions, iv) delays in market awareness of Bion and our Systems, v) uncertainties and costs increases related to research and development efforts to update and improve Bion's technologies and applications thereof, and/or vi) delays and/or costs exceeding expectations relating to Bion's development of the Initial Project, JVs and/or Projects and vii) failure of marketing strategies, each of which could have both immediate and long term material adverse effects by placing us behind our competitors and requiring expenditures of our limited resources.

THESE RISKS, UNCERTAINTIES AND FACTORS BEYOND OUR CONTROL ARE MAGNIFIED DURING THE CURRENT UNCERTAIN PERIOD RELATED TO THE COVID-19 PANDEMIC AND THE UNIQUE ECONOMIC, FINANCIAL, GOVERNMENTAL AND HEALTH-RELATED CONDITIONS IN WHICH THE COMPANY, THE ENTIRE COUNTRY AND THE ENTIRE WORLD NOW RESIDE. TO DATE THE COMPANY HAS EXPERIENCED DIRECT IMPACTS IN VARIOUS AREAS INCLUDING WITHOUT LIMITATION: I) GOVERNMENT-ORDERED SHUTDOWNS WHICH HAVE SLOWED THE COMPANY'S RESEARCH AND DEVELOPMENT PROJECTS AND OTHER INITIATIVES, II) SHIFTED FOCUS OF STATE AND FEDERAL GOVERNMENT WHICH IS LIKELY TO NEGATIVELY IMPACT THE COMPANY'S LEGISLATIVE INITIATIVES IN PENNSYLVANIA AND WASHINGTON DC, III) STRAINS AND UNCERTAINTIES IN BOTH THE EQUITY AND DEBT MARKETS HAVE MADE DISCUSSION AND PLANNING OF FUNDING OF THE COMPANY AND ITS INITIATIVES AND PROJECTS WITH INVESTMENT BANKERS, BANKS AND POTENTIAL STRATEGIC PARTNERS MORE TENUOUS, IV) STRAINS AND UNCERTAINTIES IN THE AGRICULTURAL SECTOR AND MARKETS HAVE MADE DISCUSSION AND PLANNING OF FUNDING OF THE COMPANY AND ITS INITIATIVES MORE DIFFICULT AS FUTURE INDUSTRY CONDITIONS ARE NOW MORE DIFFICULT TO ASSESS/PREDICT, V) CONSTRAINTS DUE TO PROBLEMS EXPERIENCED IN THE GLOBAL INDUSTRIAL SUPPLY CHAIN WHICH HAVE INCREASED ANTICIPATED PROJECT DEVELOPMENT COSTS, VI) DUE TO THE AGE AND HEALTH OF OUR CORE MANAGEMENT TEAM, MOST OF WHOM ARE AGE 70 OR OLDER AND HAVE HAD ONE OR MORE EXISTING HEALTH ISSUES, THE COVID-19 PANDEMIC PLACES THE COMPANY AT GREATER RISK THAN WAS PREVIOUSLY THE CASE (TO A HIGHER DEGREE THAN WOULD BE THE CASE IF THE COMPANY HAD A LARGER, DEEPER AND/OR YOUNGER CORE MANAGEMENT TEAM), AND VII) THERE ALMOST CERTAINLY WILL BE OTHER UNANTICIPATED CONSEQUENCES FOR THE COMPANY AS A RESULT OF THE CURRENT PANDEMIC EMERGENCY AND ITS AFTERMATH.

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Bion disclaims any obligation subsequently to revise any forward-looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events.

The following discussion and analysis should be read in conjunction with the Consolidated Financial Statements and Notes to Consolidated Financial Statements filed with this Report.

BUSINESS OVERVIEW AND PLAN

Bion Environmental Technologies, Inc.'s ("Bion," "Company," "We," "Us," or "Our") was incorporated in 1987 in the State of Colorado. Bion's mission is to make livestock production more sustainable, profitable and transparent. We intend to accomplish this by deploying our Gen3Tech platform/business model (discussed below) in ventures focused on the 'feeder' space of the livestock production/value chain to provide the consumer with verifiably sustainable premium meat products (together with environmentally friendly, sustainable and/or organic co-products from the production process). Bion believes this approach can create extraordinary value for our shareholders and employees (all of whom own securities in the Company) and for livestock/agriculture industry 'partners' who join us in our ventures. We anticipate pursuing the opportunity created by our third generation technology ("Gen3Tech") and business/technology platform in conjunction with other industry practices ("Gen3Tech Platform").

Our patented and proprietary technology provides advanced waste treatment and resource recovery for large-scale livestock production facilities (also known as "Concentrated Animal Feeding Operations" or "CAFOs"). Livestock production and its waste, particularly from CAFOs, has been identified as one of the greatest soil, air, and water quality problems in the U.S. today. Application of our Gen3Tech can largely mitigate these environmental problems, while simultaneously improving operational/ resource efficiencies by recovering high-value co-products from the CAFOs' waste stream. These waste 'assets' – nutrients and methane – have traditionally been wasted or underutilized and are the same 'pollutants' that today fuel harmful algae blooms, contaminate surface groundwater, and exacerbate climate change.

We anticipate this will result in substantial long-term value for Bion. In the context of such JVs, we believe that the verifiable sustainable branding opportunities (conventional and organic) in meat will represent one of the largest enhanced revenue contributors provided by Bion to the JVs (and Bion licensees). The Company believes that the largest portion of its business with be conducted through such JVs, but a material portion may involve licensing and or other approaches.

Bion's Gen3Tech was designed to capture and stabilize these assets and produce renewable energy, fertilizer products, and clean water as part of the process of raising verifiably sustainable livestock. All steps and stages in the animal raising and waste treatment process will be third-party verified, providing the basis for additional revenues, including

carbon and/or renewable energy-related credits and, eventually, payment for a range of ecosystem services, including nutrient credits as described below. The same verified data will be used to substantiate the claims of a USDA-certified sustainable brand that will support premium pricing for the meat/ animal protein products that are produced in Bion facilities.

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During the first half of 2022 Bion began pre-marketing our sustainable beef to retailers, food service distributors and the meat industry in the U.S. In general, the response has been favorable. During July 2022, Bion announced a letter of intent ("Ribbonwire LOI") to develop a large-scale commercial project - a 15,000-head sustainable beef cattle feeding operation together with the Ribbonwire Ranch, in Dalhart, Texas (with a provision to expand to 60,000 head) ("Dalhart Project"). During January 2023 Bion announced a letter of intent ("Olson LOI") to develop a large-scale commercial project - a 15,000-head sustainable beef cattle feeding operation together with the Olson Feeders and TD Angus, near North Platte, Nebraska (with a provision to expand to 45,000 head or more) ("Olson Project"). During April 2023 Bion announced a letter of intent ("DVG LOI") to develop a large-scale commercial project - a 15,000-head sustainable beef cattle feeding operation together with Dakota ("DVG Project"). Based on our experience to date, we believe we will not have difficulty in securing participation in our Projects from additional feeders/cattlemen. The Olson, Dalhart and DVG Projects (and subsequent Projects) will be developed to produce blockchain-verified, sustainable beef in customized covered barns (resulting in reduced stress on cattle caused by extreme weather and temperatures and resulting higher feed/weight gain efficiency) with ongoing manure transfer (through slatted floors) to anaerobic digesters (AD) to capture nitrogen from the manure stream before loss to the atmosphere and generate renewable natural gas (RNG) for sale while remediating the environmental/carbon impacts usually associated with cattle feed/lost and CAFOs. Bion's patented Gen3Tech platform will refine the waste stream into valuable coproducts that include clean water, RNG, photovoltaic solar electricity and fertilizer ('climate smart' and/or organic) products. We anticipate converting these LOIs into definitive JV agreements and creating related

Bion's business model and technology platform can create the opportunity for joint ventures (in various contractual forms)("JVs") between the Company and large livestock/food/fertilizer industry participants based upon the supplemental cash flow generated by implementation of our Gen3Tech business model, which cash flows will support the costs of technology implementation (including servicing related debt). We anticipate this will result in substantial long-term value for Bion.. To accomplish Bion's goals, we anticipate the we will 'partner' with other technology companies who provide solutions for different links of the beef (and other livestock) value chain and with strategic partners up and down the supply chain. In the context of such JVs, we believe that the verifiable sustainable branding opportunities (conventional and organic) in meat will represent one of the single largest enhanced revenue contributor provided by Bion to the JVs (and, in some cases, Bion licensees). The Company believes that the largest portion of its business with be conducted through such JVs, but a material portion may involve licensing and or other approaches.

During the next three to six months, the Company intends to fully complete construction of the Initial Project's phase 1 (including the crystalizer module) and continue the optimization operations. Bion expects the Initial Project data will document the effectiveness of our Gen3Tech in a commercial-scale setting during the current fiscal year and support development of the LOI Projects (and/or other Gen3Tech beef JV projects) commencing later this fiscal year. We do not presently know the order in which these JV Projects will be developed as that decision will be made based on many factors not yet in place. We believe the Initial Project data will also provide additional potential stakeholders (cattle producers, cattle feeders, packers, food distributors and retailers and financial institutions) with the information they need to proceed with confidence in collaborating with Bion on multiple new projects (see below).

Bion is now focused primarily on: i) completion of development/construction and operation of the Initial Project, our initial commercial-scale Gen3Tech installation, and optimization of its operational parameters, ii) pre-development planning of the LOI Projects (and/or other Gen3Tech beef JV projects) including steps toward distribution agreements, iii) developing applications and markets for its low carbon 'ClimateSmart' and organic fertilizer products (including listings/certifications of multiple liquid and solid products) and its sustainable (conventional and organic) animal protein products, and iv) discussions regarding initiation and development of agreements and joint ventures ("JVs" as discussed herein) (and related Projects) based on the augmented capabilities of our Gen3Tech business platform (in the sustainable beef and other livestock segments), while (v) continuing to pursue business opportunities related to large retrofit projects (such as the Kreider poultry project JV described below) and vi) ongoing R&D activities.

At present, there is essentially no traceable and verifiable 'sustainable beef' available to the US market except for niche products. In response to consumer demand for transparency and sustainability, Bion expects the meat industry in general, and beef specifically, to evolve towards using new technologies to deliver these attributes in their products. While we anticipate a faster adoption of tracking, verification and sustainability technologies in other perishable food categories like produce and dairy due to their shorter product cycles (and related harvest and production techniques), meat industry leaders have also announced their willingness to move forward with initiatives in this area. Many companies have announced 'sustainability' initiatives but most appear to consist largely of 'greenwashing' marketing commitments rather than substantive undertakings at this date. Note, however, that Tyson's Brazen beef initiative (which was announced during March 2023) may develop into a substantive competitive factor in the sustainable beef marketplace. Bion predicts that within approximately five years, consumers will be able to track and verify claims including sustainability on 25% (or more) of the products merchandised in the meat department. Bion believes that the retail market share of verifiably sustainable beef in the US will approach 7-10% within three (3) years (end of 2026) and 25% in five (5) years (end of 2028) (approximately 6-7,000,000 cattle annually) (and more thereafter). If Bion can successfully execute on its sustainable beef business plan (which is subject to many contingencies), we believe that JV facilities utilizing Bion's Gen3Tech platform will supply one-third (1/3) or more of that of the premium market segment (and a higher portion of meat that is actually traceable and verifiably sustainable). Our goal is to have multiple sustainable beef projects under development (within 3-5 distinct JVs) by the end of our 2025 fiscal year. Our first commercial project is likely to be one of our current LOI Projects but we anticipate commencing development of additional sustainable beef projects during the current fiscal year as well. Our current target is to have at least three (3) facility modules (15,000 head per module)("Modules") in development and/or under construction during 2024 in three (3) different JVs with the initial barns being populated with livestock during 2025. Further expansion in the number of distinct JVs is projected through 2026-7 aiming at 5-10 JVs in process --- each of which JVs will be pursuing development of multiple Modules with targets of 12-15 populated Modules by the end of 2026 (approximately 2%-3% of the US beef market) and 30-45 Modules constructed and being populated by 2029 (approximately 6%-8% of the US beef market) with further expansion thereafter. Bion's current goal is that its Gen3Tech platform will be utilized to produce 33% of the verifiable "sustainable beef" category at the end of the period (which will equal approximately 2 million cattle annually)(45 Modules).

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During this five (5) year period, the Company also anticipates having additional Gen3Tech projects underway in the pork/dairy/egg sectors of the US animal protein market.

There is no assurance that the Company will reach or approach the goals/targets set forth above. Reaching such goals/targets will require access to very large amounts of capital (equity and debt) as each module is projected to cost in excess of \$50 million (debt/equity/grants) to construct and require mobilization of substantial personnel, technical resources and management skills. The Company does not possess either the financial or personnel resources required internally and will need to source such resources from outside itself.

For additional information regarding our 'HISTORY, BACKGROUND AND CURRENT ACTIVITIES', see discussion in Part I, Item 1 above and Notes to the Financial Statements (particularly Notes 1, 3, 5 and 9) included in this report.

COVID-19 PANDEMIC RELATED MATTERS:

The Company faces risks and uncertainties and factors beyond our control that are magnified during the current Covid-19 pandemic and the unique economic, financial, governmental and health-related conditions in which the Company, the country and the entire world now reside. To date the Company has experienced direct impacts in various areas including but without limitation: i) government ordered shutdowns which have slowed the Company's research and development projects and other initiatives, ii) shifted focus of state and federal governments which is likely to negatively impact the Company's legislative initiatives in Pennsylvania and Washington D. C., iii) strains and uncertainties in both the equity and debt markets which have made discussion and planning of funding of the Company and its initiatives and projects with investment bankers, banks and potential strategic partners more tenuous, iv) strains and uncertainties in the agricultural sector and markets have made discussion and planning more difficult as future

industry conditions are now more difficult to assess and predict, v) constraints due to problems experienced in the global industrial supply chain since the onset of the Covid-19 pandemic, which have delayed certain research and development testing and have delayed and/or increased the cost of construction of the Company's initial 3G Tech installation as equipment/services remain difficult to acquire in a timely manner, vi) due to the age and health of our core management team, many of whom are age 70 or older and have had one or more existing health issues (including brief periods of Covid-19 infection), the Covid-19 pandemic places the Company at greater risk than was previously the case (to a higher degree than would be the case if the Company had a larger, deeper and/or younger core management team), and vii) there almost certainly will be other unanticipated consequences for the Company as a result of the current pandemic emergency and its aftermath.

CRITICAL ACCOUNTING POLICIES

Revenue Recognition

The Company currently does not generate revenue and if and when the Company begins to generate revenue the Company will comply with the provisions of Accounting Standards Codification ("ASC") 606 "Revenue from Contracts with Customers".

Stock-based compensation

The Company follows the provisions of ASC 718, which generally requires that share-based compensation transactions be accounted and recognized in the statement of income based upon their grant date fair values.

Pursuant to ASC Topic 815 "Derivatives and Hedging" ("Topic 815"), the Company reviews all financial instruments for the existence of features which may require fair value accounting and a related mark-to-market adjustment at each reporting period end. Once determined, the Company assesses these instruments as derivative liabilities. The fair value of these instruments is adjusted to reflect the fair value at each reporting period end, with any increase or decrease in the fair value being recorded in results of operations as an adjustment to fair value of derivatives. As of March 31, 2023 and 2022, there are no derivative financial instruments.

Options:

The Company has issued options to employees and consultants under its 2006 Plan to purchase common shares of the Company. Options are valued on the grant date using the Black-Scholes option-pricing model. The expected volatility is based on the historical price volatility of the Company's common stock. The dividend yield represents the Company's anticipated cash dividend on common stock over the expected term of the stock options. The U.S. Treasury bill rate for the expected term of the stock options was utilized to determine the risk-free interest rate. The expected term of stock options represents the period of time the stock options granted are expected to be outstanding based upon management's estimates.

Warrants:

The Company has issued warrants to purchase common shares of the Company. Warrants are valued using a fair value based method, whereby the fair value of the warrant is determined at the warrant issue date using a market-based option valuation model based on factors including an evaluation of the Company's value as of the date of the issuance, consideration of the Company's limited liquid resources and business prospects, the market price of the Company's stock in its mostly inactive public market and the historical valuations and purchases of the Company's warrants. When warrants are issued in combination with debt or equity securities, the warrants are valued and accounted for based on the relative fair value of the warrants in relation to the total value assigned to the debt or equity securities and warrants combined.

Lease Accounting:

The Company accounts for leases under ASC 842, *Leases* ("ASC 842"). Accordingly, the Company will determine whether an arrangement contains a lease at the inception of the arrangement. If a lease is determined to exist, the term of such lease is assessed based on the date on which the underlying asset is made available for the Company's use by the lessor. The Company's assessment of the lease term reflects the non-cancelable term of the lease, inclusive of any rent-free periods and/or periods covered by early-termination options which the Company is reasonably certain of not exercising, as well as periods covered by renewal options which the Company is reasonably certain of exercising. The Company also determines lease classification as either operating or finance at lease commencement, which governs the pattern of expense recognition and the presentation reflected in the consolidated statements of operations over the lease term.

For leases with a term exceeding 12 months, a lease liability is recorded on the Company's consolidated balance sheet at lease commencement reflecting the present value of its fixed minimum payment obligations over the lease term. A corresponding right-of-use ("ROU") asset equal to the initial lease liability is also recorded, adjusted for any prepaid rent and/or initial direct costs incurred in connection with execution of the lease and reduced by any lease incentives received. For purposes of measuring the present value of its fixed payment obligations for a given lease, the Company uses its incremental borrowing rate, determined based on information available at lease commencement, as rates implicit in its leasing arrangements are typically not readily determinable. The Company's incremental borrowing rate reflects the rate it would pay to borrow on a secured basis and incorporates the term and economic environment of the associated lease.

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YEAR ENDED JUNE 30, 2023 COMPARED TO THE YEAR ENDED JUNE 30, 2022

Revenue

Total revenues were nil for both the years ended June 30, 2023 and 2022.

General and Administrative

Total general and administrative expenses were \$3,072,000 and \$2,348,000 for the year ended June 30, 2023 and 2022, respectively.

Salaries and related payroll tax expenses were \$730,000 and \$340,000 for the years ended June 30, 2023 and 2022, respectively, representing a \$390,000 increase. The increase is largely due to the addition of Bill O'Neill (and administrative initiatives he has commenced), pay increases, and lower percentage of total salaries capitalized to the Initial Project. Consulting costs were \$485,000 and \$561,000 for the years ended June 30, 2023 and 2022, respectively. The \$76,000 decrease in consulting costs is due to the capitalization of a larger portion of Brightcap's consulting expense to the Initial Project in fiscal year 2023. Investor relations expenses were \$697,000 and \$395,000 for the years ended June 30, 2023 and 2022, respectively, and the \$302,000 increase is due to a new contract with an investor relations firm and increased activity during the year ended June 30, 2023 due to the resumption of investor conferences and other matters. Legal costs were \$83,000 and \$291,000 for the years ended June 30, 2023 in 2022, respectively, and the \$208,000 decrease is due to less outside legal activities in the year 2023 compared to the year 2022 in which legal fees surrounding the hack and theft of the Company's domain name and the dissolution of PA-1 were incurred.

Stock-based compensation for the years ended June 30, 2023 and 2022 were \$442,000 and \$269,000, respectively.

Depreciation

Total depreciation expense was \$1,645 and \$1,161 for the year ended June 30, 2023 and 2022, respectively.

Research and Development

Total research and development expenses were \$83,000 and \$201,000 for the years ended June 30, 2023 and 2022, respectively, representing a \$118,000 decrease due to less legal and salary expense allocated to research and development and greater allocation to the Initial Project.

Salaries and related payroll tax expenses were \$9,000 and \$32,000 for the years ended June 30, 2023 and 2022, respectively, as more salary expense was allocated to administrative expense than research and development expense for the year ended June 30, 2023. Consulting costs were \$43,000 and \$80,000 for the years ended June 30, 2023 and 2022, respectively. The Company also incurred \$14,000 and \$55,000 for the years ended June 30, 2023 and 2022, respectively in legal costs related to patent applications and renewals.

Stock-based compensation allocated to research and development for the years ended June 30, 2023 and 2022 were \$4,000 and \$22,000, respectively.

Loss from Operations

As a result of the factors described above, the loss from operations was \$3,157,000 and \$2,550,000 for the years ended June 30, 2023 and 2022 respectively.

Other Income/(Expense)

Other income/(expense) was \$(33,000) and \$10,841,000 for the years ended June 30, 2023 and 2022, respectively. The difference was due to the gains recognized in 2022 consisting of \$10,200,000 on the dissolution of PA1 and \$902,000 from the sale of a domain name.

Interest expense related to deferred compensation, loan payable and convertible notes for the year ended June 30, 2023 was \$218,000 prior to capitalization of \$180,000. Interest expense related to deferred compensation, loan payable and convertible notes for the year ended June 30, 2022 was \$334,000 prior to capitalization of \$32,000. The decrease is due to more interest being capitalized to the 3Gl project.

Net Loss Attributable to the Noncontrolling Interest

The net loss attributable to the noncontrolling interest was nil and \$1,500 for the years ended June 30, 2023 and 2022, respectively.

Net Income/(Loss) Attributable to Bion's Common Stockholders

As a result of the factors described above, the net income/loss attributable to Bion's stockholders was \$(3,189,000) and \$8,292,000 for the years ended June 30, 2023 and 2022, respectively, and the net income/loss) per basic common share was \$(.07) and \$.20 for the years ended June 30, 2023 and 2022, respectively.

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LIQUIDITY AND CAPITAL RESOURCES

The Company's consolidated financial statements for the year ended June 30, 2023 have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. The Report of our Independent Registered Public Accounting Firm on the Company's consolidated financial statements as of and for the year ended June 30, 2023 includes a "going concern" explanatory paragraph which means that the auditors stated that conditions exist that raise substantial doubt about the Company's ability to continue as a going concern.

Operating Activities

As of June 30, 2023, the Company had cash of approximately \$626,000. During the year ended June 30, 2023, net cash used in operating activities was \$2,929,000, primarily consisting of cash operating expenses related to salaries and benefits, and other general and administrative costs such as insurance, legal, accounting, consulting and investor relations expenses as well as the purchase of property and equipment. Cash expenditures were offset by proceeds from financing activities, primarily the exercise of warrants and sale of common shares. As previously noted, the Company is currently not generating significant revenue and accordingly has not generated cash flows from operations. The Company does not anticipate generating sufficient revenues to offset operating and capital costs for a minimum of two to five years. While there are no assurances that the Company will be successful in its efforts to develop and construct its Projects and market its Systems, it is certain that the Company will require substantial funding from external sources. Given the unsettled state of the current credit and capital markets for companies such as Bion, there is no assurance the Company will be able to raise the funds it needs on reasonable terms.

Investing Activities

During the year ended June 30, 2023, the Company invested \$3,557,000 in the purchase of property and equipment, primarily related to the Initial Project construction in process.

Financing Activities

During the year ended June 30, 2023, the Company received gross cash proceeds of \$131,335 from the exercise of 175,114 warrants into shares of the Company's common stock.

During the year ended June 30, 2023, the Company entered into subscription agreements to sell units for \$1.00 per unit, with each unit consisting of one share of the Company's restricted common stock and one warrant to purchase one share of the Company's restricted common stock for \$0.75 per share with an expiry date of December 31, 2024, and pursuant thereto, the Company issued 346,230 units for total proceeds of \$346,230.

During the year ended June 30, 2023, the Company entered into a subscription agreement to sell 2,000,000 shares of restricted common stock of which 1,800,000 shares were purchased on January 10, 2023 (the other 200,000 shares were purchased on December 31, 2022) for total proceeds during year ending June 30, 2023 of \$2,000,000.

During the year ended June 30, 2023, the Company entered into subscription agreements to sell 575,000 units at a price of \$1.60, with each unit consisting of one share of the Company's restricted common stock and one half warrant to purchase one share of the Company's restricted common stock for \$2.40 per share with an expiry date of June 30, 2024, and, pursuant thereto, the Company issued 575,000 units for total proceeds of \$920,000, in aggregate. The Company paid commissions of \$86,000 on the sale of units.

As of June 30, 2023, the Company has debt obligations consisting of: a) deferred compensation of \$865,000 and b) convertible notes payable - affiliates of \$1,716,000.

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Plan of Operations and Outlook

As of June 30, 2023, the Company had cash of approximately \$626,000.

The Company continues to explore sources of additional financing to satisfy its current operating requirements as it is not currently generating any significant revenues.

During fiscal years 2023 and 2022, the Company faced less difficulty in raising equity funding (but was subject to substantial equity dilution from the larger amounts of equity

financing during the periods) than was experienced in the prior 3 years. However, this positive trend did not continue during the last quarter of the 2023 fiscal year and first quarter of the current fiscal year (to date). The Company raised only raised very limited equity funds during such periods to meet its some of its immediate needs, therefore, the Company needs to raise additional funds in the upcoming periods. The Company currently faces substantial increases in demand for capital and operating expenditures for the fiscal year 2024 to date (and we anticipate such increased demands will continue during the remainder of the 2024 fiscal year and periods thereafter) as it moves toward commercial implementation of its 3G Tech and development of JVs (including costs associated with additions of personnel to carry out the business activities of the Company) and, therefore, is likely to continue to face, significant cash flow management issues due to limited capital resources and working capital constraints which had only recently begun to be alleviated. As a result, the Company has faced, and continues to face, significant cash flow management challenges due to material working capital constraints. To partially mitigate these working capital constraints, the Company's core senior management and some key employees and consultants have been deferring most of their cash compensation and/or are accepting compensation in the form of securities of the Company (Notes 5 and 7 to Financial Statements) and members of the Company's senior management have from time to time made loans to the Company and may need to do so in future periods. Note that, to deal with earlier capital constraints, during the year ended June 30, 2018, senior management and certain core employees and consultants agreed to a one-time extinguishment of liabilities owed by the Company which in aggregate totaled \$2,404,000. Additionally, the Company made reductions in its personnel during the years ended June 30, 2014 and 2015 and again during the year ended June 30, 2018. As set forth in detail elsewhere herein, during the year ended June 30, 2023 senior management (and family members) who held convertible obligations of the Company adjusted the terms of their outstanding notes and agreed to debt modifications that reduced of the Company's debt by \$3,522,000 and increased shareholders equity by the same amount. The constraints on available resources have had, and continue to have, negative effects on the pace and scope of the Company's efforts to develop its business. The Company has had to delay payment of trade obligations and has had to economize in many ways that have potentially negative consequences. If the Company is able to raise needed funds during the remainder of the current fiscal year (and subsequent periods), of which there is no assurance, management will not need to consider deeper cuts (including additional personnel cuts) and/or curtailment of ongoing activities including research and development activities.

The Company will need to obtain additional capital to fund its operations and technology development, to satisfy existing creditors, to develop the Initial Project, JVs, Projects and CAFO Retrofit waste remediation systems (potentially including the Kreider 2 facility. The Company anticipates that it will seek to raise from \$20,000,000 to \$80,000,000 or more (debt and equity) during the next twelve months. However, as discussed above, there is no guarantee that we will be able to raise sufficient funds or further capital for the operations planned in the near future.

The Company is not currently generating any significant revenues. Further, the Company's anticipated revenues, if any, from existing projects, JVs and proposed projects will not be sufficient to meet the Company's anticipated operational and capital expenditure needs for many years. During the year ended June 30, 2023 the Company raised gross proceeds of approximately \$4,038,000 through the sale of its securities and paid commissions of approximately \$86,000. During the year ended June 30, 2022 the Company raised gross proceeds for approximately \$1,737,000 and paid commissions of approximately \$19,000. The Company anticipates raising additional funds from such sales and transactions in the coming periods. However, there is no guarantee that we will be able to raise sufficient funds or further capital for the operations planned in the near future.

Because the Company is not currently generating significant revenues, the Company will need to obtain additional capital to fund its operations and technology development, to satisfy existing creditors, to develop the Initial Project and subsequent Projects.

As indicated above, the Company anticipates that it will seek to raise from \$20,000,000 to \$80,000,000 or more (from debt, equity, joint venture, strategic partnering, etc.) during the next twelve months, some of which may be in the context of joint ventures for the development of one or more large scale projects. We reiterate that there is no assurance, especially in the extremely unsettled capital markets that presently exist for companies such as Bion, that the Company will be able to obtain the funds that it needs to stay in business, finance its Projects and other activities, continue its technology development and/or to successfully develop its business.

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See Item 2 below and Note 5 ("Pennvest Loan and Bion PA1 LLC ("PA1") Dissolution") to the Financial Statements included in this report and the Company's Forms 10-K for the year ended June 30, 2022 (and the years 2009-2021) for discussion and more details related to the dissolution of PA1, the Pennvest Loan and the Kreider 1 project.

There is extremely limited likelihood that funds required during the next twelve months or in the periods immediately thereafter will be generated from operations and there is no assurance that those funds will be available from external sources such as debt or equity financings or other potential sources. The lack of additional capital resulting from the inability to generate cash flow from operations and/or to raise capital from external sources would force the Company to substantially curtail or cease operations and would, therefore, have a material adverse effect on its business. Further, there can be no assurance that any such required funds, if available, will be available on attractive terms or that they will not have a significantly dilutive effect on the Company's existing shareholders. All of these factors have been exacerbated by the extremely limited and unsettled credit and capital markets presently existing for companies such as Bion.

Covid-19 pandemic related matters:

The Company faces risks and uncertainties and factors beyond our control that are magnified during the current Covid-19 pandemic and the unique economic, financial, governmental and health-related conditions in which the Company, the country and the entire world now reside. To date the Company has experienced direct impacts in various areas including but without limitation: i) government ordered shutdowns which have slowed the Company's research and development projects and other initiatives, ii) shifted focus of state and federal governments which is likely to negatively impact the Company's legislative initiatives in Pennsylvania and Washington D. C., iii) strains and uncertainties in both the equity and debt markets which have made discussion and planning of funding of the Company and its initiatives and projects with investment bankers, banks and potential strategic partners more tenuous, iv) strains and uncertainties in the agricultural sector and markets have made discussion and planning more difficult to assess and predict, v) constraints due to problems experienced in the global industrial supply chain since the onset of the Covid-19 pandemic, which have delayed certain research and development testing and have delayed and/or increased the cost of construction of the Company's initial 3G Tech installation as equipment/services remain difficult to acquire in a timely manner, vi) due to the age and health of our core management team, many of whom are age 70 or older and have had one or more existing health issues (including brief periods of Covid-19 infection), the Covid-19 pandemic places the Company at greater risk than was previously the case (to a higher degree than would be the case if the Company had a larger, deeper and/or younger core management team), and vii) there almost certainly will be other unanticipated consequences for the Company as a result of the current pandemic emergency and its aftermath.

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CONTRACTUAL OBLIGATIONS

We have the following material contractual obligations (in addition to employment and consulting agreements with management and employees):

The Company entered into an agreement on September 23, 2021, to lease approximately four acres of land near Fair Oaks, Indiana, for the development site of its Initial Project.

The future minimum lease payment under noncancelable operating lease with terms greater than one year as of June 30, 2023:

| Year ended June 30, 2023 to June 2024 | \$ 75,000 |
|---|---------------|
| Year ended June 30, 2024 to December 2024 | 37,500 |
| Undiscounted cash flow | 112,500 |
| Less imputed interest | (8,432) |
| Total | \$ 104,068 |
| Less current portion | (75,000) |

The weighted average remaining lease term and discounted rate related to the Company's lease liability as of June 30, 2023 were 1.58 years and 10%, respectively. The Company's lease discount rate is generally based on the estimates of its incremental borrowing rate as the discount rates implicit in the Company's lease cannot be readily determined.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements (as that term is defined in Item 303 of Regulation S-K) that are reasonably likely to have a current or future material effect on our financial condition, revenue or expenses, results of operations, liquidity, capital expenditures or capital resources.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Not applicable.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA

The consolidated financial statements are set forth on pages F-1 through F-41 hereto.

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Item 9A. Controls and Procedures.

Disclosure Controls and Procedures

As of June 30, 2023, under the supervision and with the participation of the Company's President and Principal Financial Officer (the same person), management has evaluated the effectiveness of the design and operations of the Company's disclosure controls and procedures. Based on that evaluation, the President and Principal Financial Office concluded that the Company's disclosure controls and procedures were not effective as of June 30, 2023 as a result of the material weakness in internal control over financial reporting discussed below.

Changes in Internal Control over Financial Reporting

There were no changes in internal control over financial reporting that occurred during the last fiscal quarter covered by this report that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in the Securities Exchange Act of 1934 Rule 13a-15(f). Our Chief Executive Officer and Principal Financial Officer (the same person) conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control – Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO Framework") and the related guidance provided in Internal Control Over Financial Reporting – Guidance for Smaller Public Companies, also issued by the Committee of Sponsoring Organizations.

Based on this evaluation, management has concluded that our internal control over financial reporting was not effective as of June 30, 2022. Our President and Principal Financial Officer concluded we have a material weakness due to our control environment, and one condition caused by this is an inadequate of segregation of duties as well as a lack of timely review and approval of related party transactions and a second condition is the a lack of timely review and approval of capitalized internal costs and interest. Our size has prevented us from being able to employ sufficient resources to enable us to have an adequate level of supervision and segregation of duties within our internal control system. There is one person involved in the processing of the Company's accounting and banking transactions and a single person with overall supervision and review of the cash disbursements and receipts and the overall accounting process. Therefore, while there are some compensating controls in place, it is difficult to ensure effective segregation of accounting duties. While we strive to segregate duties as much as practicable, there is an insufficient volume of transactions to justify additional full time staff. As a result of this material weakness, we have implemented remediation procedures whereby in May 2006 we engaged an outside accounting and consulting firm with SEC and US GAAP experience to assist us with the preparation of our financial statements, evaluation of complex accounting issues and the implementation of systems to improve controls and review procedures over all financial statement and account balances. In December of 2021, there was a change made to a new outside accounting and consulting firm. We believe that this outside consultant's review improved our disclosure controls and procedures. If this review is effective throughout a period of time, we believe it will help remediate the segregation of duties material weakness. However, we may not be able to fully remediate the material weakness unless we

This annual report does not include an attestation report of the Company's independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's independent registered public accounting firm pursuant to rules of the SEC that permit the Company to provide only management's report on internal control in this annual report.

Website: Domain Sale/Resolved Litigation/Hacking/Theft

On March 23, 2022 the Company entered into an agreement to sell domain name <biontech.com> and other related assets to BioNTech SE ("BNTX") for the sum of \$950,000 (before expenses related to the transaction) which sale was closed/completed on April 2, 2022 with a one-time gain of \$902,490. The Company has been using www.bionenviro.com as its primary website (and domain) since July 2021 due to the events described below. The Company has not been using biontech.com as its primary website since July 2021 so domain name <biontech.com> no longer represented a core asset of the Company.

As previously reported, on Saturday moming, July 17, 2021, our historical website domain – biontech.com– and email services were compromised and disabled. Research indicated that an unknown party had 'hijacked' the domain in a theft attempt. On September 10, 2021, the Company filed a federal lawsuit 'in rem' to recover the
biontech.com> domain and the unknown 'John Doe' who hacked and attempted to steal the website. The litigation was filed in the United States District Court for the Eastern District of Virginia, Alexandria Division under the heading 'Bion Environmental Technologies, Inc., Plaintiff, vs John Doe and
biontech.com>, Defendants' (Case No. 1:21-cv-01034), seeking recovery of the domain name and other relief as set forth therein.

On November 19, 2021, the United States District Court for the Eastern District of Virginia, Alexandria Division issued an order stating that "... ORDERED, ADJUDGED and Decreed that plaintiff Bion Environmental Technologies, Inc. ('plaintiff) Is the lawful owner of domain name <biointech.com>" under the heading 'Bion Environmental Technologies, Inc., Plaintiff, vs John Doe and <biointech.com>, Defendants' (Case No. 1:21-cv-01034). The Company has moved the domain name <biointech.com> to a new registrar and reactivated it for the Company's use (paired currently with its current bionenviro.com website).

No shareholder, sensitive or confidential information was available to be breached which has limited damages from the hack/theft to date. However, the Company's email operations were subject disruption and expenses were incurred related to the matter including legal fees.

The Company created 'work-arounds' as a result. These issues have been resolved and the Company has moved our website (and email) to a new domain: bionenviro.com. Website access is now www.bionenviro.com. To send emails to Bion personnel, one uses the same name identifier previously used, but in the address, substitute 'bionenviro.com' for "biontech.com': For example cscott@biontech.com (no longer functional) is cscott@bionenviro.com and mas@biontech.com (no longer functional) is now mas@bionenviro.com.

Bank account hacking

On June 23, 2023, an officer of the Company with personal accounts with Signature Bank was hacked and \$75,000 was transferred from the Company's accounts at Signature Bank to the officer's personal accounts. The bank was notified and all Company accounts were placed on hold. Subsequently, the funds were released and transferred back to the Company prior to June 30, 2023 the end of the fiscal year and there were no losses incurred.

The Company has reviewed the authorized individuals on all accounts and further limited access to its bank accounts after the hacking incident.

ITEM 9B. OTHER INFORMATION

None.

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PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

Our directors, executive officers and significant employees/consultants, along with their respective ages and positions are as follows:

| Name | Age | Position | | | | |
|-------------------------|-----|--|--|--|--|--|
| Directors and Officers: | | | | | | |
| Mark A. Smith | 73 | Executive Chairman, President, General Counsel, Chief Financial Officer and Director | | | | |
| Jon Northrop | 80 | Secretary and Director | | | | |
| William O'Neill | 64 | Chief Executive Officer | | | | |
| Dominic Bassani | 76 | Chief Operating Officer | | | | |
| William Rupp | 62 | Director | | | | |
| Salvatore Zizza | 77 | Director | | | | |
| Edward T. Schafer | 77 | Director | | | | |

Mark A. Smith (73) currently serves Bion Environmental Technologies, Inc. as Executive Chairman, President, General Counsel, Chief Financial Officer and a director and has continually served in senior positions since late March 2003. Since that time, he has also served as sole director, President and General Counsel of Bion's wholly-owned subsidiaries including Project Group and Services Group. Since mid-February 2003, Mr. Smith has served as sole director and President and General Counsel of Bion's majority-owned subsidiary, Centerpoint Corporation. Mr. Smith also serves as Manager of Bion PA1, LLC and Bion PA2, LLC. Previously, from May 21, 1999 through January 31, 2002, Mr. Smith served as a director of Bion. From July 23, 1999, when he became President of Bion, until mid-2001 when he ceased to be Chairman, Mr. Smith served in senior positions with Bion on a consulting basis. Additionally, Mr. Smith was the president of RSTS Corporation prior to its acquisition of Bion Technologies, Inc. in 1992. Mr. Smith has engaged in the private practice of law in Colorado School of Law, Boulder, Colorado (1980) and a BS from Amherst College, Amherst, Massachusetts (1971). Mr. Smith has engaged in the private practice of law in Colorado since 1980. In addition, Mr. Smith has been active in running private family companies, Stonehenge Corporation (until 1994), Lo TayLingKyur, Inc. (1994-2002) and LoTayLingKyur, LLC (2007-present). Until returning to Bion during March 2003, Mr. Smith had been in retirement with focus on charitable work and spiritual retreat. From July 2018 to March 2020 Mr. Smith served as a senior executive and director at Grow-Ray Technologies, Inc., a private LED lighting company based in Boulder, Colorado, on a consulting basis.

Jon Northrop (80) has served as our Secretary and a Director since March of 2003. Since September 2001 he has been self employed as a consultant with a practice focused on business buyer advocacy. Mr. Northrop is one of our founders and served as our Chief Executive Officer and a Director from our inception in September 1989 until August 2001. Before founding Bion Technologies, Inc., he served in a wide variety of managerial and executive positions. He was the Executive Director of Davis, Graham & Stubbs, one of Denver's largest law firms, from 1981 to 1989. Prior to his law firm experience, Mr. Northrop worked at Samsonite Corporation's Luggage Division in Denver, Colorado, for over 12 years. His experience was in all aspects of manufacturing, systems design and implementation, and planning and finance, ending with three years as the Division's Vice President, Finance. Mr. Northrop has a bachelor's degree in Physics from Amherst College, Amherst, Massachusetts (1965), an MBA in Finance from the University of Chicago, Chicago, Illinois (1969), and spent several years conducting post graduate research in low energy particle physics at Case Institute of Technology, Cleveland.

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William O'Neill (64) has served as Chief Executive officer since May 1, 2022 (he previously held the same position for the period from November 2010 through May 2011). Mr. O'Neill currently also serves as a director of Wise Up Food, LLC, a privately-held company that provides a transparent supply chain and real sustainability information for food retailers (including restaurants) enabling consumers to make informed purchase decisions. He founded Wise Up Food during 2020 and served as its President until May 1, 2022 when his wife assumed that position. From February 2018 through May 2020 he was employed as Vice President Retail & Value-Added Business Teys, USA, as subsidiary of Teys, a large Australian beef packer. From April 2015 through February 2018 Mr. O'Neill served as Vice President Retail of Colorado Premium Foods. From 1990 through 2015 he held marketing and executive positions with a varity of companies in the agriculture and food service businesses with an emphasis on developing/marketing products in the meat industry. Mr. O'Neill graduated from Gettysburg College in 1981 with a B.A. in economics.

Dominic Bassani (76) has served as Chief Operating Officer of Bion Environmental Technologies, Inc. since May 1, 2022 and served as Chief Executive Officer from April 2011. Previously he was a full-time consultant to the Company and served as the General Manager of Bion's Projects Group subsidiary from April 2003 through September 2006. From September 15, 2008 he has served as Director-Special Projects and Strategic Planning of the Company and our Projects Group subsidiary. He has been an investor in and consultant to Bion since December 1999. He is an independent investor and since 1990 has owned and operated Brightcap, a management consulting company that provides management services to early stage technology companies. He was a founding investor in 1993 in Initial Acquisition Corp. that subsequently merged in 1995 with Hollis Eden Corp. (HEPH), a biotech company specializing in immune response drugs. From early 1998 until June 1999 he was a consultant to Internet Commerce Corp. (re-named EasyLink Services International Corporation) (ESIC), a leader in business-to-business transactions using the Internet. He is presently an investor in numerous private and public companies primarily in technology related businesses. From 1980 until 1986, Mr. Bassani focused primarily on providing management reorganization services to manufacturing companies and in particular to generic pharmaceutical manufacturers and their financial sponsors.

William (Bill) Rupp (62) has served as a director of the company since ____, 2023.He is a 'meat industry leader' who served as President of JBS Beef from 2010-2016 with responsibility for the leadership of JBS's North American Beef business. He was CEO of Meyer Natural Foods from 2009-2010. Mr. Rupp served in various management roles for Cargill Beef from 1983 until 2009 where he was President from 1998-2008 with responsibility for Cargill's global beef business with operations in US, Canada, Argentina, and Australia. He graduated from the University of South Dakota with a B.S. in Business Administration in 1983. Mr Rupp salso serves on the boards of Sustainable Beef, DecisionNext, Superior Lamb and Lumachain.

Salvatore J. Zizza (77) Salvatore Zizza has served as a director of Bion since 2023. He is presently President of Zizza & Associates Corp. a private holding company which invests in various industries and retired Chairman of BAM (BethlehemAdvanced Materials), which designs and manufactures high-temperature furnaces for sale and for its own use in the processing of specialty carbon, graphite and ceramic materials for semiconductor and aerospace applications, and Chairman of Bergen Cove Realty Inc., with substantial holdings in residential real estate. Mr. Zizza serves as Director & Chairman of Trans-Lux Corporation, a full service provider of integrated multimedia systems for today's communications environments (since 2018) and served on board since 2009. Mr. Zizza bought NICO Construction Company, Inc., in 1978 and was President and CFO until 1985 when NICO merged with The LVI Group Inc., a (NYSE), listed company. Prior to joining The LVI Group Inc., Mr. Zizza was an independent financial consultant and had been a lending officer of Chemical Bank. Mr. Zizza is also an investor in numerous private companies and real estate holdings. Mr. Zizza currently holds directorship positions at nineteen (19) Gabelli/GAMCO funds and trusts. He has been associated with this family of investment funds for over thirty (30) years. He received a Baccalaureate/Political Science, St. John's University (1967) and a Master of Business Administration, St. John's University (1972). In 2007 Mr. Zizza received a Doctor of Commercial Sciences (Honorary) from St. John's University.

Edward T. Schafer (77) Edward Schafer previously served the Company's senior management team as Executive Vice Chairman and has been a member of the Company's Board of Directors since January 1, 2011. Mr. Schafer had served as a consultant to Bion since July 2010. Mr. Schafer served as a director of Continental Resources (NYSE-CLR) 2011-2016. He also chairs the Board of Directors of Dynamic Food Ingredients. In addition he has served on the Board of Governors of Amity Technology LLP since 2009. Mr. Schafer served as a trustee of the Investors Real Estate Trust (NASDAQCS-IRET) from September 2009 to October 2011. He also served as a trustee of the IRET from September 2006 through December 2007, when he resigned from the IRET's Board to serve as Secretary of the U.S. Department of Agriculture under President George W. Bush. Mr. Schafer, a private investor, is a two-term former Governor of North Dakota. He served as Chief Executive Officer of Extend America, a telecommunications company, from 2001 to 2006, and he has been a member of the Boards of RDO Equipment Co., a privately-owned agricultural and construction equipment company (August 2001 to July 2003) and the University of North Dakota Foundation (June 2005 to December 2007). Since 2019 Mr. Schafer has served on the Board of Directors of Cellular Biomedicine Group (NASDAQ: CBMG) and is Chairman of its Audit Committee. Mr. Schafer serves as a board member of the Center for Innovation at the University of North Dakota and is an adjunct professor at North Dakota State University. Mr. Schafer is a past chair of the Republican Governors Association, the Midwestern Governors' Association, the Interstate Oil and Gas Compact, the Western Governors' Association and served as the 29th United States Secretary of Agricultural from 2008 to 2009. Mr. Schafer holds a Master's degree in Business Administration from the University of Denver. Mr. Schafer brings the following experience, qualifications, attributes and skills to the Company: general business management, bud

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Family Relationships

There are currently no family relationships among our Directors and Executive Officers.

Compliance with Section 16(a) of the Exchange Act

Section 16(a) of the Exchange Act requires our officers and directors, and stockholders owning more than ten percent of a registered class of our equity securities, to file reports of ownership and changes in ownership with the Securities and Exchange Commission. The Company is not aware of any persons who failed to timely file reports under this section.

Involvement in Legal Proceedings

To the best of our knowledge, during the past five years, none of the following occurred with respect to our directors or executive officers:

- any bankruptcy petition filed by or against any business of which one of them was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
- (2) any conviction in a criminal proceeding or being subject to a pending criminal proceeding (excluding traffic violations and other minor offenses);
- (3) being subject to any order, judgment or decree of any court of competent jurisdiction, permanently or temporarily inquiring, barring, suspending or otherwise limiting involvement in any type of business, securities or banking activities; and
- (4) being found by a court of competent jurisdiction, the SEC or the CFTC to have violated Federal or state securities or commodities laws.

Audit Committee

The Company has no audit committee and is not now required to have one, or an audit committee financial expert.

Code of Ethics

To date, the Company has not adopted a code of business conduct and ethics applicable to its officers, directors or accounting officer.

Advisory Group

The Company, which has only 7 full-time employees/consultants (all of whom are effectively 'department heads'), has utilized many outside parties as consultants and contract workers for various roles to augment our management capabilities and expertise. Over the last year the Company has begun to establish a more formal 'advisory' relationship with some of these people to insure their availability for consultation by our senior management (separate from specific consulting engagements). At present, a) William Rupp (meat and beef industry), b) Matthew Lamb (agriculture/animal husbandry/dairy), c) Stanley Rapp (government affairs), d) Dennis Tristao (agricultural tech, engineering and agricultural/environmental policy) and e) Dennis Bracht (organic seed, com/feed grain cultivation and related matters) have accepted roles as members of our Advisory Group. The Company anticipates that additional persons will be added to this group over time.

ITEM 11. EXECUTIVE COMPENSATION.

The Company does not have a compensation committee due to its small size and limited resources. The Board of Directors directly reviews and authorizes all compensation matters.

SUMMARY COMPENSATION TABLE

The following table sets forth the compensation paid to, or accrued for, each of our current executive officers during each of our last two fiscal years.

| Name and Principal Position | Fiscal Year | Salary (1) | Bonus | Stock <u>Awards</u> | Option Awards (2) | Non- Equity Incentive Plan Compen- sation | Nonqualified Deferred Compen- sation Earnings | Other Compen- sation | Total |
|--|----------------|--------------------------|--------------|------------------------|-------------------------|--|---|----------------------------|--------------------------|
| Mark A. Smith (3) President and Chief Financial Officer Since March 25, 2003, Director | 2023 2022 | \$ 300,000 \$ 230,000 | \$ — \$ — | \$ \$ | 115,200 | _ | _ | | \$ 300,000 \$ 345,200 |
| Brightcap/Dominic Bassani (4) VP - Special Projects & Strategic Planning and Chief Operating Officer | 2023 2022 | \$ 372,000 \$ 372,000 | \$ — \$ — | \$ — \$ — | 115,200 | _ | _ | _ | \$ 372,000 \$ 487,200 |
| William O'Neill Chief Executive Officer (5) | 2023 2022 | \$270,000 \$45,000 | \$ — \$ — | \$ — \$ — | 191,500 — | _ | | _ | \$ 461,500 \$ 45,000 |

(1) Includes compensation paid by Bion Environmental Technologies, Inc. and our wholly owned subsidiaries.

(2) Reflects the dollar amount expensed by the Company during the applicable fiscal year for financial statement reporting purposes pursuant to ASC 718.

- (3) Since October 2016, the Company approved a month-to-month contract extension with Smith which included a monthly deferred salary of \$18,000 and the right to convert up to \$300,000 of deferred compensation, at his sole election, at \$0.75 per share until December 31, 2022 (which date was extended to July 1, 2024). Smith also has the right to convert his deferred compensation in whole or in part, at this sole election, at any time in an amount at "market" or into securities sold in the Company's most current/recent private offering. During fiscal year 2021 the Company paid Smith \$13,460 for payroll taxes on his deferred compensation conversions which was treated as salary.
- (4) On February 10, 2015, Mr. Bassani agreed to an extension to continue his employment through December 31, 2017 at an annual salary of \$372,000 effective January 1, 2015. During October 2016, Bassani was granted the right to convert up to \$125,000 of his deferred compensation, at his sole election, at \$0.75 per share which was expanded on April 27, 2017 to the right to convert up to \$300,000). During February 2018, the Company agreed to the material terms of a binding two-year extension agreement. Bassani's annual salary will remain at \$372,000 and the Company granted Bassani 2,000,000 fully vested options at \$0.75 per share with an expiry date of December 31, 2024 which contain a 90% exercise price adjustment and the options may be extended for an additional 5 years at \$0.01 per share per extension year.
- (5) On May 1, 2022 William O'Neill joined the Company with an annual salary of \$420,000 which includes \$10,000 monthly deferred compensation to be paid at the discretion of the Board. There is an additional \$1,500 per month health insurance allowance. Terms of the contract are thirty-seven months. William O'Neill was previously paid as a contractor through Identifoods. Total payments for the years ended June 30, 2023 and June 2022, respectively were \$318,000 and \$165,000.

Employment Agreements:

Mark A. Smith ("Smith") has held the positions of Executive Chairman, Director, President and General Counsel of Company and its subsidiaries under various agreements and terms since March 2003 (details regard earlier years and periods between 2003 and 2011 may be found in the Company's prior Forms 10-K and other SEC filings). During July 2011, the Company entered into an extension agreement pursuant to which Smith continued to hold his current positions in the Company through a date no later than December 31, 2012. Commencing January 1, 2012, Smith's monthly salary was \$20,000, which has been accrued and deferred. In addition, Smith has been issued 90,000 shares of the Company's common stock in two tranches of 45,000 shares on each of January 15, 2013 and 2014, respectively. As part of the extension agreement, Smith was also granted 200,000 options, which vested immediately, to purchase common shares of the Company at a price of \$3.00 per share and which options were originally to expire on December 31, 2019. Effective July 15, 2012, the Company entered into an extension agreement pursuant to which Smith will continue to hold his current positions in the Company through a date no later than June 30, 2014. Effective September 2012, Smith's monthly salary became \$21,000 (which is currently being deferred). In addition, Smith was issued 150,000 shares of the Company's common stock in two tranches of 75,000 shares on each of January 15, 2014 and 2015, which shares vested immediately. As part of the extension agreement, Smith was also granted a bonus of \$25,000 paid in warrants, which vested immediately, to purchase 250,000 shares of the Company's common stock at a price of \$2.10 per share and which warrants expire on December 31, 2018 and a contingent stock bonus of 100,000 shares payable on the date on which the Company's stock price first reaches \$10.00 per share (regardless of whether Smith is still providing services to the Company on such date). Mr. Smith has voluntarily reduced his monthly deferred salary accrual to \$14,000 due to the Company's financial situation. During September 2014, Smith agreed to continue his employment agreement through April 15, 2015 and also agreed to continue to defer his temporarily reduced salary of \$14,000 per month. On February 10, 2015, the Company executed an Extension Agreement with Smith pursuant to which Smith extended his employment with the Company to December 31, 2015 (with the Company having an option to extend his employment an additional six months). As part of the Extension Agreement, the balance of Smith's existing convertible note payable of \$854,316 as of December 31, 2014, adjusted for conversions subsequent to that date, was replaced with a new convertible note with an initial principal amount of \$760,519 with terms that i) materially reduced the interest rate by 50% (from 8% to 4%), ii) increased the conversion price by 11% (from \$0.45 to \$0.50), iii) set the conversion price at a fixed price so there can be no further reductions, iv) reduced the number of warrants received on conversion by 75% (from 1 warrant per unit to 1/4 per unit) and v) extended the maturity date to December 31, 2017 (which maturity date was subsequently extended to July 1, 2019). Additionally, pursuant to the Extension Agreement, Smith: i) continued to defer his cash compensation (\$18,000 per month) until the Board of Directors re-instates cash payments to all employees and consultants who are deferring their compensation, ii) cancelled 150,000 contingent stock bonuses previously granted to him by the Company, iii) was granted 150,000 new options which vested immediately and iv) outstanding options and warrants owned by Smith (and his donees) were extended and had the exercise prices reduced to \$1.50 (if above that price). Due to expiration of his most recent extension, Mr. Smith is currently serving the Company on a month-to -month basis. On April 29, 2022, Smith's monthly salary was increased to \$25,000, of which \$5,000 is deferred each month.

Dominic Bassani ("Bassani") has served in senior management positions with the Company (as a full-time consultant) since 2001 (see prior Forms 10-K for earlier years and other filings with the SEC). Since March 31, 2005, the Company has had various agreements with Brightcap, Bassani's family consulting company, through which the services of Bassani were provided through 2011. On September 30, 2009 the Company entered into an extension agreement with Brightcap pursuant to which Bassani provided services to the Company through September 30, 2012 for \$312,000 annually (currently deferred). The Board appointed Bassani as the Company's CEO effective May 13, 2011 in which position he served until May 2022. On July 15, 2011, Bassani, Brightcap and the Company agreed to an extension/amendment of the existing agreement with Brightcap which provided that Bassani serve as CEO through June 30, 2013 and would continue to provide full-time services to the Company in other capacities through June 30, 2014 at a salary of \$26,000 per month. In addition Bassani was to be issued 300,000 shares of the Company's common stock issuable in three tranches of 100,000 shares on each of January 15, 2015, 2016 and 2017, respectively. Bassani was also granted 725,000 options, which vested immediately, to purchase shares of the Company's common stock at \$3.00 per share which options expired on December 31, 2019. Effective July 15, 2012, Bassani, Brightcap and the Company agreed to a further extension/amendment of the existing agreement with Brightcap which provided that Bassani would continue to provide the services of CEO through June 30, 2014. Bassani continued to provide full-time services to the Company at a cash salary of \$26,000 per month (which has been deferred) and Bassani would be issued 300,000 shares of the Company's common stock issuable in two tranches of 150,000 shares on each of January 15, 2015 and 2016, respectively, which shares would be immediately vested upon issuance. As part of the extension agreement, Bassani was also granted a bonus of \$5,000 paid in warrants, which vested immediately, to purchase 50,000 shares of the Company's common stock at a price of \$2.10 per share and which warrants expired on December 31, 2018. During September 2014, Bassani agreed to extend his employment agreement until April 15, 2015 and that previously issued and expensed share grants of 100,000 and 150,000 shares that were to be issued on January 15, 2015, would be deferred until January 15, 2016. On February 10, 2015, the Company executed an Extension Agreement with Bassani pursuant to which Bassani extended the term of his service to the Company to December 31, 2017, (with the Company having an option to extend the term an additional six months.) As part of the agreement, the Company's existing loan payable, deferred compensation and convertible note payable to Bassani, were restructured into two promissory notes as follows: a) The of sum of the cash loaned by Bassani to the Company of \$279,000 together with \$116,277 of unreimbursed expenses through December 31, 2014 were placed into a new promissory note with initial principal of \$395,277 which was due and payable on December 31, 2015. In connection with these sums and the new promissory note, Bassani was issued warrants to purchase 592,916 shares of the Company's common stock at a price of \$1.00 until December 31, 2020; and b) the remaining balances of the Company's accrued obligations to Bassani (\$1,464,545) were replaced with a new convertible promissory note with terms that compared with the largest prior convertible note obligation to Bassani: i) materially reduced the interest rate by 50% (from 8% to 4%), ii) increased the conversion price by 11% (from \$0.45 to \$0.50), iii) set the conversion price at a fixed price so there can be no further reductions, iv) reduced the number of warrants received on conversion by 75% (from 1 warrant per unit to 1/4 per unit) and v) extended the maturity date to December 31, 2017 (See Notes to Financial Statements) (which maturity date was subsequently extended to July 1, 2019. Additionally, pursuant to the Extension Agreement, Bassani i) will continue to defer his cash compensation (\$31,000 per month) until the Board of Directors re-instates cash payments to all employees and consultants who are deferring their compensation, ii) cancelled 250,000 contingent stock bonuses previously granted to him by the Company, iii) was granted 450,000 new options which vested immediately and iv) outstanding options and warrants owned by Bassani (and his donees) have been extended and had the exercise prices were reduced to \$1.50 (if above that price). On May 5, 2013, the Board of Directors approved agreements with Bassani and Smith, with effective date of May 15, 2013, in which Bassani and Smith agreed to continue to defer their respective cash compensation through April 30, 2014 (unless the Board of Directors elected to re-commence cash payment on an earlier date) and extended the due dates of their respective deferred cash compensation until January 15, 2015. The Company provided Bassani and Smith with convertible promissory notes which reflected all the terms of these agreements to which future accruals were added as additional principal. These convertible promissory notes were altered as set forth in the paragraphs below. As part of the agreements, Bassani and Smith also forgave any possible obligations that Bion may have owed each of them in relation to unused vacation time for periods (over 10 years) prior to June 30, 2012. In consideration of these agreements, Bassani and Smith: a) have been granted 50% 'execution/exercise' price adjustment (subsequently increased to 75%) to be effective upon future exercise of outstanding (or subsequently acquired) options and warrants owned by Bassani and Smith (and their respective donees) and in relation to contingent stock bonuses; b) their warrants and options, if due to expire prior to December 31, 2018, were extended to that date (and later further extended); and c) other modifications were made. Currently Bassani receives \$25,000 per month in cash and \$6,000 per month of deferred compensation.

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William O'Neill ("O'Neill") joined as the Company's Chief Executive Officer ("CEO") effective May 1, 2022. O'Neill had previously been working with the Company as a consultant and had been employed by the Company as its CEO during 2010-2011. Bassani, CEO of the Company since 2011, has assumed the position of COO while retaining existing operational management responsibilities and working with O'Neill on 'commercialization' of the Company's technology and work related to JVs (and other transactions) based on the Company's Gen3Technology and related matters. Bassani's compensation arrangements with the Company have not been altered in the context of the change of positions. The Company and O'Neill have entered into a thirty-seven (37) month employment agreement (subject to Board renewal for the final two (2) years during the 13th month) with compensation of \$25,000 cash and \$10,000 deferred compensation per month. An entity affiliated with O'Neill was issued 1,000,000 Incentive Warrants exercisable at \$1.00 per share until April 30, 2026 of which up to 700,000 Incentive Warrants were cancellable until O'Neill's agreement was re-affirmed at 13 months and/or fails to serve the entire contract term thereafter. These warrants each have a 75% exercise price adjustment if the terms set forth therein are met. As set forth in the Employment Agreement, the Company and Wise Up Foods LLC (an entity founded by O'Neill with which he continues to serve as a Director and of which O'Neill and his family members are majority owners) sets forth the intent to form "... a strategic alliance and committed to collaborate on projects each company has in their respective pipelines. WUF and Bion will work together to use/creat technology that will deliver the consumer verified sustainable results produced by Bion's technology and technology platform. The key to the strategic relationship is each company's commitment to deliver real and verified results to the consumer – free of marketing hype and greenwashing...".

Bassani, Smith and Schafer have each agreed (multiple times) to extend the maturity date of the outstanding 2020 Convertible Obligations and 2015 Convertible Notes ("CVObligations") set forth in the paragraphs above from December 31, 2017 (initial maturity date) to July 1, 2024 (current maturity date) which is also the maturity date of all CV Obligations after adjustment.

Effective May 4, 2020 the Company agreed that all options and warrants owned (or subsequently acquired by conversion of CvObligations) by its officers, directors and key employees and consultants (including Jon Northrop (director), Bassani, Smith and Schafer) and their donees be amended to: a) lower the exercise price to \$0.75 for any options/warrants with higher exercise prices and b) extend the expiration dates to December 31, 2024. Subsequently, it was agreed that if any of the CVObligations are converted, the warrants in units received will be exercisable through a date 3 years after conversion date with exercise price adjustment provision effective two years after the date on which the converted portion of the CVObligations (as adjusted, if applicable) was accrued.

Other Agreements

The Company has declared contingent deferred stock bonuses to its key employees and consultants at various times throughout the years. The stock bonuses were contingent upon the Company's stock price exceeding a certain target price per share, and the grantees still being employed by or providing services to the Company at the time the target prices are reached. During the year ended June 30, 2017, pursuant to agreement with the employees and a consultant who had been granted the outstanding contingent stock bonuses, the Company cancelled all 117,500 outstanding contingent stock bonuses. In consideration for the cancellations, the Company granted 109,500 fully vested options to these employees and a consultant to purchase common stock of the Company at \$1.00 per share until December 31, 2024 (including recent extensions).

The following table sets forth the number of shares of common stock covered by outstanding stock option awards that are exercisable and unexercisable, and the number of shares of common stock covered by unvested restricted stock awards for each of our named executive officers as of June 30, 2023.

Outstanding Equity Awards at Fiscal Year-End

| | | Option Awards | | | | | | Stock Awards | | | | |
|--------------------------------|---|---|---|-------------------------------------|------------------------------|---|---|---|---|--|--|--|
| | Number of Securities Underlying Unexercised Options (#) <u>Exercisable</u> | Number of Securities Underlying Unexercised Options (#)Unexercisable | Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#) | Option Exercise Price (\$) | Option Expiration Date | Number of Shares or Units of Stock That Have Not Vested (#) | Market Value of Shares or Units of Stock That Have Not <u>Vested</u> | Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested | Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested | | | |
| Mark A. Smith (1) | 100,000 | — | — | 0.60 | 2024 | — | — | — | — | | | |
| Mark A. Smith (1) | 1,675,000 | — | | 0.75 | 2024 | _ | — | | _ | | | |
| Mark A. Smith (2) | 200,000 | — | — | 0.75 | 2024 | — | — | — | — | | | |
| Mark A. Smith (1) | 250,000 | — | | 1.20 | 2026 | _ | — | — | — | | | |
| Mark A. Smith (1) | 200,000 | — | — | 1.00 | 2025 | — | — | — | — | | | |
| Brightcap/ Dominic Bassani (1) | 1,675,000 | — | — | 0.75 | 2024 | — | — | — | — | | | |
| Brightcap/ Dominic Bassani (2) | 2,000,000 | — | — | 0.75 | 2024 | — | — | — | — | | | |
| Brightcap/ Dominic Bassani (1) | 250,000 | — | | 1.20 | 2026 | _ | — | — | — | | | |
| Brightcap/ Dominic Bassani (1) | 200,000 | — | — | 1.00 | 2025 | — | — | — | — | | | |
| Edward Schafer (3) | 25,000 | — | | 0.60 | 2024 | | — | _ | — | | | |
| Edward Schafer (3) | 300,000 | — | — | 0.75 | 2024 | — | — | — | — | | | |
| Edward Schafer (1) | 600,000 | _ | | 0.75 | 2024 | | — | | — | | | |
| Edward Schafer (2) | 190,000 | — | | 0.75 | 2024 | — | — | — | — | | | |
| Edward Schafer (1) | 50,000 | — | | 1.20 | 2026 | | — | _ | — | | | |
| Edward Schafer (1) | 50,000 | _ | _ | 1.00 | 2025 | | _ | _ | | | | |
| William O'Neill (3) | 250,000 | _ | — | 1.60 | 2026 | 250,000 | 95,750 | | | | | |
| William O'Neill (3) | 250.000 | | | 1.60 | 2026 | 250,000 | 95,750 | | | | | |

(1)Options are subject to a 75% execution/exercise price adjustment upon notice of intent to exercise under certain conditions.

Options are subject to a 90% execution/exercise price adjustment upon notice of intent to exercise under certain conditions. (2)

Options are subject to a 50% execution/exercise price adjustment upon notice of intent to exercise under certain conditions. (3)

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Director Compensation

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Members of the Board of Directors do not currently receive any cash compensation for their services as Directors, but are entitled to be reimbursed for their reasonable expenses in attending meetings of the Board. However, it is the Company's intention to begin to pay cash compensation to Board members at some future date (probably during the current fiscal year).

DIRECTOR COMPENSATION

The following table sets forth certain information regarding the compensation paid to directors during the fiscal year ended June 30, 2023:

Director Compensation

| Name | Fees earned or paid in Cash (\$) | Stock Awards (\$) | Option Awards (\$)(1) | Non-equity incentive plan compensation (\$) | Nonqualified deferred compensation earnings (\$) | All other compensation (\$) | <u>Total (\$)</u> |
|-----------------|--|-------------------------|-----------------------------|---|---|--------------------------------|-------------------|
| Jon Northrop | _ | _ | 19,550 | _ | _ | _ | 19,500 |
| Edward Schafer | _ | _ | _ | _ | _ | — | _ |
| William Rupp | _ | _ | 39,100 | — | _ | | 39,100 |
| Salvatore Zizza | — | — | 39,100 | — | — | — | 39,100 |

(1) Reflects the dollar amount expensed by the Company during the applicable fiscal year for financial statement reporting purposes pursuant to ASC 718.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

As of August 1, 2023, the Registrant had 49,408,214 shares of common stock issued and 48,703,905 shares of common stock outstanding. (balance of 704,309 shares are owned by Centerpoint, the Company's majority-owned subsidiary).

The following table sets forth certain information regarding the beneficial ownership of our common stock as of August 1, 2022 by:

- each person that is known by us to beneficially own more than 5% of our common stock;
- each of our directors;
- each of our executive officers and significant employees; and
- all our executive officers, directors and significant employees as a group.

Under the rules of the Securities and Exchange Commission, beneficial ownership includes voting or investment power with respect to securities and includes the shares issuable under stock options, warrants and convertible securities that are exercisable/convertible within sixty (60) days of August 1, 2023. Those shares issuable under stock options, warrants and/or convertible securities are deemed outstanding for computing the percentage of each person holding options, warrants and/or convertible securities but are not deemed outstanding for computing the percentage of beneficial ownership schedule 'Entitled to Vote' is based upon 48,703,905 shares outstanding as of August 1, 2023. The address for those individuals for which an address is not otherwise provided is c/o Bion Environmental Technologies, c/o PO Box 323, Old Bethpage, NY 11804. To our knowledge, except as indicated in the footnotes to this table and pursuant to applicable community property laws, the persons named in the table have sole voting power and investment power with respect to all shares of common stock listed as owned by them.

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| Name and Address | Number | Percent of Class Outstanding | Entitled To Vote |
|---|------------|---------------------------------|---------------------|
| Centerpoint Corporation ⁽¹⁾ c/o PO Box 323 Old Bethpage, NY 11604 | 704,309 | 1.4% | _ |
| Dominic Bassani ⁽²⁾ 64 Village Hills Drive Dix Hills, NY 11746 | 15,242,691 | 24.3% | 24.6% |
| Mark A. Smith ⁽³⁾ 401 N. Riverside Beach #408 Pompano Beach, FL 33062 | 8,401,433 | 14.9% | 15.1% |
| Christopher B. Parlow ⁽⁴⁾ 23 Longbow Drive Commack, NY 11725 | 8,754,807 | 15.2% | 15.4% |
| Danielle Lominy ⁽⁵⁾ c/o Dominic Bassani 64 Village Hill Drive Dix Hills, NY 11746 | 8,744,803 | 15.3% | 15.5% |
| Edward Schafer ⁽⁶⁾ c/o PO Box 323 Old Bethpage, NY 11804 | 3,039,138 | 5.8% | 5.9% |
| Anthony Orphanos ⁽⁷⁾ c/o Blacksmith Advisors, LLC 320 Park Avenue 18th Floor New York, NY 10022 | 2,285,618 | 4.4% | 4.6% |
| William O'Neill ⁽⁸⁾ 107 12th Street E St. Petersburg, FL 3371 | 1,560,888 | 3.1% | 3.1% |
| Craig Scott ⁽⁹⁾ 3131 North Daffodil Dr. Billings, MT 59102 | 2,663,652 | 5.2% | 5.2% |
| Jon Northrop ⁽¹⁰⁾ 59 Chestnut Street Westfield, NY 14787 | 636,135 | 1.3% | 1.3% |
| Salvatore Zizza ⁽¹¹⁾ 641 Lexington Avenue, 20th Floor New York, NY 10022 | 155,112 | 0.3% | 0.3% |
| William Rupp ⁽¹²⁾ PO Box 536 Loveland, CO 80539 | 125,000 | 0.3% | 0.3% |
| All executive officers and directors as a group (8 persons) | 31 824 040 | 41 5% | 41.6% |

(1) Centerpoint Corporation is currently majority owned by the Company. Under Colorado law, Centerpoint Corporation is not entitled to vote these shares unless otherwise ordered by a court. These shares of common stock may be distributed to the shareholders of Centerpoint Corporation at a future date pursuant to a dividend declared during July 2004. The shares distributed to Bion, if any, will be cancelled immediately upon receipt.

- (2) Includes 70,577 shares, 3,025,000 shares underlying options and 965,000 shares underlying warrants held directly by Mr. Bassani; 464,644 shares and 250,000 shares underlying warrants held by Mr. Bassani's wife; and 909,747 shares held in IRA accounts of Mr. Bassani and his wife. Also included are the shares set forth below owned (directly and indirectly) by Mr. Bassani's daughter, Danielle Lominy (formerly Danielle Bassani) who resides within his residence and are included in Mr. Bassani's beneficial ownership for purposes of the calculation including: a) 570,000 shares directly b) 646,458 shares underlying warrants owned directly; and c) Danielle Lominy is the 50% beneficiary of the Dominic Bassani 2019 Irrevocable Trust ("2019Trust") which owns: i) 3,000,000 warrants and 1,000,000 options to purchase shares of the Company's common stock and, as a result, Danielle Lominy is the beneficial owner of 1,500,000 shares underlying warrants and 500,000 shares underlying options and ii) \$459,277.02 principal amount of the Company's Adjusted 2020 Convertible Obligation ("CVObligation") which is convertible @ \$.0953 into 4,819,277 shares and 3,214,458 warrants and, as a result, Danielle Lominy is the beneficial owner of 2,409,639 shares underlying conversion of the Adjusted CVObligation and 1,607,229 shares underlying the warrants issuable on conversion of the Adjusted CVObligation. The total also includes: a) 724,754 shares of common stock and 483,411 underlying warrants that could be issued on the conversion (at the election of Bassani) by Mr. Bassani of a convertible note in the amount of \$362,376, (convertible @ \$0.50 price) and b) 265,693 shares of common stock that could be issued on the conversion (at the election of Bassani) by Mr. Bassani of a convertible note in the amount of \$159,416 (convertible @ \$0.60 price) and c) 222,962 shares of common stock that could be issued on the conversion (at the election of Bassani) of Adjusted Convertible Note in the amount of \$25,641 (convertible @\$.115 price) and d) 627,577 shares of common stock that could be issued on the conversion (at the election of Bassani) of deferred compensation in the amount of \$548,057. Mr. Bassani disclaims ownership of 1,511,477 shares underlying warrants held by the Danielle Christine Bassani Trust, which is separately itemized herein. Mr. Bassani's adult daughter Danielle Lominy (formerly Danielle Bassani), who resides within his residence, is the beneficiary of the Danielle Christine Bassani Trust and Mr. Bassani is not one of the trustees of the trust. Mr. Bassani further disclaims beneficial ownership of shares and warrants owned by various other family members (including Christopher Parlow who is itemized separately), none of whom live with him or are his dependents, and such shares are not included in this calculation.
- (3) Includes 752,268 shares, 2,425,000 shares underlying options, 1,806,987 warrants held directly by Mr. Smith, and 62,535 shares held by Mr. Smith in an IRA. Also includes 575,000 shares and 370,948 underlying warrants held by Mr. Smith's wife and 53,756 shares held in his wife's IRA. Also includes 12,681 shares of common stock held by held by LoTayLingKyur Foundation and 100,001 shares of common stock and 100,001 underlying warrants held by LoTayLingKyur LLC which is controlled by Mr. Smith and his wife. Also includes 971,492 shares and 971,492 warrants underlying units that could be issued on the conversion (at the election of Mr. Smith) by Mr. Smith of his Adjusted 2020 Convertible Obligation in the aggregate amount of \$91,903.05. Mr. Smith has the option to convert this amount into units with each unit consisting of 1 share of common stock and 1 warrant exercisable at \$0.75 per share. The conversion price will be \$.0946 per unit. Also includes 72,858 shares and 72,858 warrants underlying units that could be issued on the aggregate amount of \$36,428.77. Mr. Smith has the option to convert this amount into units with each unit consisting of 1 share of common stock and 1 warrant exercisable at \$0.75 per share. The conversion price will be \$.0946 per unit. Also includes 72,858 warrants underlying units that could be issued on the conversion (at the election of Mr. Smith) by Mr. Smith of his 2020 Convertible Obligation in the aggregate amount of \$36,428.77. Mr. Smith has the option to convert this amount into units with each unit consisting of 1 share of common stock and 1 warrant exercisable at \$0.75 per share. The conversion price will be \$.000 convertible Obligation in the aggregate amount of \$40,167. Does not includes 53,556 shares of common stock that could be issued on the conversion (at the election of Mr. Smith is also the President of Centerpoint, although shares owned by Centerpoint are not entitled to a vote while held by Centerpoint.

- (4) Includes 2,005 shares held directly by Christopher Parlow, 65,000 shares held jointly with wife, 250,000 shares owned by the Christopher Parlow Trust and 50,000 shares owned by Christopher Parlow's minor daughters. Also includes 1,614,000 shares underlying warrants held by the Christopher Parlow Trust, 147,154 shares underlying warrants held jointly with wife, 150,000 warrants held directly by Mr. Parlow and 459,780 shares underlying warrants held by Mr. Parlow's minor daughters. In addition, Christopher is the 50% beneficial owner of the Dominic Bassani 2019 Irrevocable Trust ("2019 Trust") which owns 3,000,000 warrants to purchase shares of the Company's common stock and 1,000,000 options and as a result, Christopher Parlow is the beneficial owner of 1,500,000 shares underlying exercise of the options. Additionally, the 2019 Trust owns \$459,277.02 principal amount of the Company's Adjusted 2020 Convertible Obligations ("CVObligation") which is convertible @\$.0953 into 4,819,277 shares and 3,214,458 warrants. As a result, Christopher Parlow is the beneficial owner of 2,409,639 shares underlying conversion of the CVObligation and 1,607,229 shares underlying the warrants issuable on conversion of the CVObligation.
- (5) Includes 170,000 shares held directly by Danielle Lominy (formerly Danielle Bassani), 1,511,477 shares underlying warrants held by The Danielle Christine Bassani Trust, 400,000 shares owned by the Danielle Bassani Trust, 311,458 shares underlying warrants, 105,000 shares underlying warrants owned jointly with husband and 230,000 shares underlying warrants owned by Danielle Lominy's daughter. In addition, Danielle is the 50% beneficial owner of the Dominic Bassani 2019 Irrevocable Trust ("2019 Trust") which owns 3,000,000 warrants to purchase shares of the Company's common stock and 1,000,000 options and, as a result Danielle Lominy is the beneficial owner of 1,500,000 shares underlying exercise of the warrants and 500,000 shares underlying exercise of the options. Additionally, the 2019 Trust owns \$459,277.02 principal amount of the Company's Adjusted 2020 Convertible Obligation ("CVObligation") which is convertible @ \$.0953 into 4,819,277 shares and 3,214,458 warrants. As a result, Danielle Lominy is the beneficial owner of 2,409,639 shares underlying conversion of the CVObligation and 1,607,229 shares underlying the warrants issuable on conversion of the CVObligation.
- (6) Includes 158,254 shares held directly by Mr. Schafer, options to purchase 1,215,000 shares and warrants to purchase 23,934 shares. Also includes 1,070,021 shares and 535,011 warrants underlying units that could be issued on the conversion by Mr. Schafer of his Adjusted Convertible Obligation in the amount of \$101,973. Mr. Schafer has the option to convert this amount into units with each unit consisting of 1 share of common stock and ½ warrant exercisable at \$0.75 per share until December 31, 2024. The conversion price is \$.0953 per unit. Also includes 36,918 shares of common stock that could be issued on the conversion (at the election of Mr. Schafer) by Mr. Schafer of his Adjusted September 2015 convertible note in the amount of \$4,245.47. The conversion price will be \$.115 per share.
- (7) Includes 94,927 shares held directly by Mr. Orphanos; 156,750 shares underlying warrants held directly by Mr. Orphanos; 945 shares held jointly with his wife; 1,262,774 shares held in IRA accounts; and 770,222 shares of common stock that could be issued on conversion of \$462,133 convertible notes (\$.60 conversion price). Not included are 1,021,303 common shares owned by certain clients of Blacksmith Advisors, over which Mr. Orphanos exercises discretionary authority (which shares include: 68,000 shares owned by Danielle Lominy (formerly Danielle Bassani). Mr. Orphanos disclaims beneficial ownership of the shares listed in the preceding sentences because he has no pecuniary interest in the shares.

- (8) Includes 50,000 underlying warrants held directly by Mr. O'Neill, 500,000 shares underlying options held directly by Mr. O'Neill and 10,888 shares held by Mr. O'Neill's wife, and 1,000,000 shares underlying warrants held by Identifoods, LLC which is owned by Mr. O'Neill and his wife.
- (9) Includes 504,894 shares, 1,545,000 shares underlying options and 573,747 shares underlying warrants held directly by Mr. Scott. The total also includes 40,011 shares of common stock that could be issued on the conversion (at the election of Mr. Scott) of deferred compensation in the amount of \$43,612.11.
- (10) Includes 120,635 shares held directly by Mr. Northrop and options to purchase 515,500 shares held by Mr. Northrop. Does not include shares or options owned by the adult children of Mr. Northrop nor his former wife.

(11) Includes 105,112 shares of common stock and 50,000 shares of common stock underlying options held directly by Mr. Zizza.

(12) Includes 50,000 shares of common stock underlying options and 75,000 shares of common stock underlying warrants held directly by Mr. Rupp.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Other than the employment/consulting agreements, deferred compensation arrangements and conversions of debt described above in Item 1 Business and Item 11 Executive Compensation, there are no related party transactions.

Four directors of the Company (Jon Northrop, Ed Schaefer, Salvatore Zizza and William Rupp) are considered to be independent directors.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

Audit Fees

In January 2017 the Company engaged Eide Bailly LLP as its independent registered public accounting firm. The aggregate fees billed for the fiscal year ended June 30, 2022 and June 30, 2023 by Eide Bailly LLP for professional services rendered for the audit of the Company's annual financial statements and reviews of interim financial statements included in the Company's quarterly reports on Form 10-Q (and related matters) were \$10,600 and \$54,325, respectively.

In December 2022 the Company engaged Haynie & Company as its independent registered public accounting firm. The aggregate fees billed for the fiscal year ended June 30, 2023 by Haynie & Company for professional services rendered for the audit of the Company's annual financial statements and reviews of the interim financial statements included in the Company's quarterly reports on Form 10-Q (and related matters) were \$71,000.

Audit Related Fees

There were no fees billed by Eide Bailly LLP for audit-related fees in each of the last two fiscal years ended June 30, 2022 and June 30, 2021.

There were no fees billed by Haynie & Company for audit-related fees in the last fiscal year ended June 30, 2023.

Tax Fees

The aggregate fees billed for tax services rendered by Eide Bailly LLP for tax compliance and related services for the two fiscal years ended June 30, 2023 and June 30, 2022 were nil and nil, respectively.

The aggregate fees billed for tax services rendered by Haynie & Company for tax compliance and related services for the year ended June 30, 2023 were nil.

All Other Fees None.

Audit Committee Pre-Approval Policy

Under provisions of the Sarbanes-Oxley Act of 2002, the Company's principal accountant may not be engaged to provide non-audit services that are prohibited by law or regulation to be provided by it, and the Board of directors (which serves as the Company's audit committee) must pre-approve the engagement of the Company's principal accountant to provide audit and permissible non-audit services. The Company's Board has not established any policies or procedures other than those required by applicable laws and regulations.

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PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

(a)

| (a) Exhibits | |
|-------------------|---|
| Exhibit Number | Description and Location |
| 3.1 | Amended and Restated Articles of Incorporation of Bion Environmental Technologies, Inc., filed with the Secretary of State of the State of Colorado on April 11, |
| | 2022. (Incorporated by reference to Exhibit 3.1 filed with Form 8-K filed on April 12, 2022). |
| 3.2 | Amended and Restated Bylaws. (Incorporated by reference to Exhibit 3.2 filed with Form 8-K filed on January 4, 2022). |
| 10.1 | Subscription Agreement dated January 10, 2002 between Bion Environmental Technologies, Inc. and Centerpoint Corporation regarding issuance of stock in |
| | exchange for cash and claims regarding Aprilia (Incorporated by reference to Exhibit 10.1 filed with Form 10SB12G on November 14, 2006). |
| 10.2 | Agreement dated March 15, 2002 and effective January 15, 2002 between Bion Environmental Technologies, Inc. and Centerpoint Corporation regarding purchase |
| | of warrant and management agreement (Incorporated by reference to Exhibit 10.2 filed with Form 10SB12G on November 14, 2006). |
| 10.3 | Agreement dated February 12, 2003 between Bion Environmental Technologies, Inc. and Centerpoint Corporation canceling provisions of the Subscription |
| | Agreement by and between Bion Environmental Technologies, Inc. and Centerpoint Corporation (Incorporated by reference to Exhibit 10.3 filed with Form |
| | 10SB12G on November 14, 2006). |
| 10.4 | Promissory Note and Security Agreement between Bion Environmental Technologies, Inc. and Bright Capital, LLC (Incorporated by reference to Exhibit 10.4 filed |
| | with Form 10SB12G on November 14, 2006). |
| 10.5 | Letter Agreement with Bright Capital, Ltd. (Incorporated by reference to Exhibit 10.8 filed with Form 10SB12Gon November 14, 2006). |
| 10.6 | <u>Amended Agreement with Centerpoint Corporation dated April 23, 2003</u> (Incorporated by reference to Exhibit 10.10 filed with Form 10SB12G on November 14, 2006). |
| 10.7 | Promissory Note and Conversion Agreement between Bion Environmental Technologies, Inc. and Mark A. Smith related to deferred compensation (Incorporated |
| | by reference to Exhibit 10.21 filed with Form 10SB12G on November 14, 2006). |
| 10.8 | Promissory Note and Conversion Agreement between Bion Environmental Technologies, Inc. and Bright Capital, Ltd. related to deferred compensation |
| | (Incorporated by reference to Exhibit 10.22 filed with Form 10SB12G on November 14, 2006). |
| 10.9 | Employment agreement with Mark A. Smith (Incorporated by reference to Exhibit 10.23 filed with Form 10SB12G on November 14, 2006). |
| 10.10 | Employment agreement with Bright Capital, Ltd. (Incorporated by reference to Exhibit 10.25 filed with Form 10SB12G on November 14, 2006). |
| 10.11 | Employment agreement with Jeff Kapell (Incorporated by reference to Exhibit 10.26 filed with Form 10SB12G on November 14, 2006). |
| 10.12 | Employment agreement with Jeremy Rowland (Incorporated by reference to Exhibit 10.27 filed with Form 10SB12G on November 14, 2006). |
| 10.13 | Office lease at 641 Lexington Avenue, 17th Floor, New York (Incorporated by reference to Exhibit 10.28 filed with Form 10SB12G on November 14, 2006). |
| 10.14 | 2006 Consolidated Incentive Plan (Incorporated by reference to Exhibit 10.29 filed with Form 10SB12G on November 14, 2006). |
| | |
| | |

| 10.15 | Memo to Dominic Bassani & Bright Capital, Ltd. dated October 16, 2006 regarding Change in Title/Status of DB/Amendment to Brightcap Agreement |
|-------|---|
| | (Incorporated by reference to Exhibit 10.30 filed with Form 10SB12G on November 14, 2006). |
| 10.16 | Promissory Note and Conversion Agreement for Mark Smith, dated January 1, 2007 (Incorporated by reference to Exhibit 10.31 filed with Form 10SB12G/A on |
| | February 1, 2007). |
| 10.17 | Promissory Note and Conversion Agreement for Bright Capital, Ltd., dated January 1, 2007 (Incorporated by reference to Exhibit 10.35 filed with Form 10SB12G/A |
| | on February 1, 2007). |
| 10.18 | Extension Agreement dated March 31, 2007 between the Company and Mark A Smith (Incorporated by reference to Exhibit 10.1 filed with Form 8-K filed on April |
| | 3, 2007) |
| 10.19 | Form of Note dated March 31, 2007 in the amount of \$151,645.89 in favor of Mark A. Smith (Incorporated by reference to Exhibit 10.2 filed with Form 8-K filed on |
| | April 3, 2007) |
| 10.20 | Form of Note dated March 31, 2007 in the amount of \$455.486.30 in favor of Bright Capital, Ltd. (Incorporated by reference to Exhibit 10.4 filed with Form 8-K filed |
| | on April 3, 2007) |
| 10.21 | Memorandum of Understanding with Kreider Farms (Incorporated by reference to Exhibit 99.1 filed with Form 8-K filed on February 27, 2008) |
| 10.22 | Subscription Agreement from Bright Capital, Ltd. (Incorporated by reference to Exhibit 99.1 filed with Form 8-K filed on June 3, 2008) |
| | |

| 10.23 | Amendment to 2006 Consolidated Incentive Plan (Incorporated by reference to Exhibit 99.2 filed with Form 8-K filed on June 3. 2008) |
|-------|--|
| 10.24 | Agreement between the Company and Mark A. Smith dated May 31, 2008 (Incorporated by reference to Exhibit 99.3 filed with Form 8-K filed on June 3, 2008). |
| 10.25 | 2007 Series AB Convertible Promissory Note (Incorporated by reference to Exhibit 99.1 filed with Form 8-K filed on June 19, 2008). |
| 10.26 | Promissory Note between Bion Environmental Technologies, Inc. and Dominic Bassani (Incorporated by reference to Exhibit 10.2 filed with Form 8-K filed on September 20, 2008) |
| 10.27 | September 30, 2008). |
| 10.27 | with Form 8-K filed on November 13, 2008). |
| 10.28 | Addendum to Settlement Agreement and Release Stipulation from Bion, Bion Dairy and Mark Smith dated October 31, 2008 (Incorporated by reference to Exhibit 10.4 filed with Form 8-K filed on November 13, 2008). |
| 10.29 | Kreider Farms Agreement (September 25, 2008): REDACTED (Incorporated by reference to Exhibit 10.1 filed with Form 10-Q filed on November 14, 2008). |
| 10.30 | Amendment #3 to 2006 Consolidated Incentive Plan (Incorporated by reference to Exhibit 10.2 filed with Form 8-K filed on January 6, 2009). |
| 10.31 | Agreement between Bright Capital, Ltd. and Dominic Bassani and Bion effective January 11, 2009 (Incorporated by reference to Exhibit 10.1 filed with Form 8-K filed on January 15, 2009). |
| 10.32 | Agreement between Mark A. Smith and Bion effective January 12, 2009 (Incorporated by reference to Exhibit 10.2 filed with Form 8-K filed on January 15, 2009). |
| 10.33 | Orphanos Extension Agreement dated January 13, 2009 (Incorporated by reference to Exhibit 10.3 filed with Form 8-K filed on January 15, 2009). |
| 10.34 | Lease Agreement between Ronald Kreider and Kreider Farms and Bion PA 1 LLC dated June 26, 2009 (Incorporated by reference to Exhibit 10.1 filed with Form 8- K filed on July 2 2009) |
| 10.35 | Capitalization Agreement between Bion Companies and Bion PA 1 LLC dated June 30, 2009 (Incorporated by reference to Exhibit 10.2 filed with Form 8-K filed on July 2, 2009). |
| 10.36 | Extension Agreement with Mark A. Smith. (Incorporated by reference to Exhibit 10.1 filed with Form 8-K filed on August 18, 2010). |
| 10.37 | Agreement with Edward Schafer (Incorporated by reference to Exhibit 10.2 filed with Form 8-K filed on August 18, 2010). |
| 10.38 | Accepted Funding Offer (base loan agreement) (without exhibits) with PENNVEST for Kreider Farms Project Loan effective November 3, 2010 (Incorporated by reference to Exhibit 10.1 filed with Form 8-K filed on November 3, 2010). |
| 10.39 | Short Form Agreement (Incorporated by reference to Exhibit 10.1 filed with Form 8-K filed on November 22, 2010). |
| 10.40 | Resume of William O'Neill. (Incorporated by reference to Exhibit 10.2 filed with Form 8-K filed on November 22, 2010). |
| 10.41 | Loan & Security Agreement with Milestone Bank (Incomporated by reference to Exhibit 10.2 filed with Form 8-K filed on December 6, 2010). |
| 10.42 | O'Neill Employment Agreement (dated December 22, 2010) (Incorporated by reference to Exhibit 10.1 filed with Form 8-K filed on December 6, 2010). |
| 10.43 | Schafer Employment Agreement (dated December 21, 2010) (Incorporated by reference to Exhibit 10.2 filed with Form 8-K filed on December 6, 2010). |
| 10.44 | Biography of Edward T. Schafer (Incorporated by reference to Exhibit 10.3 filed with Form 8-K filed on December 6, 2010). |
| 10.45 | Kreider Farms Clarification Agreement (Incorporated by reference to Exhibit 10.3 filed with Form 8-K filed on March 16, 2011). |
| 10.46 | Resignation of William O'Neill (effective May 13, 2011) (Incorporated by reference to Exhibit 10.1 filed with Form 8-K filed on May 13, 2011). |
| 10.47 | PADEP Certification of Kreider Poultry Credits (Incorporated by reference to Exhibit 10.1 filed with Form 8-K filed on June 1, 2011). |
| 10.48 | Bassani/Bright Capital Extension Agreement (executed August 31, 2011) (Incorporated by reference to Exhibit 10.2 filed with Form 8-K filed on September 2, 2011). |
| 10.49 | Smith Extension Agreement (executed August 31, 2011) (Incorporated by reference to Exhibit 10.1 filed with Form 8-K filed on September 2, 2011). |
| 10.50 | Bloom Employment Agreement (executed September 30, 2011) (Incorporated by reference to Exhibit 10.1 filed with Form 8-K filed on October 4, 2011). |

| 10.51 | Extension/Conversion Agreement with Smith and Bassani (dated March 31, 2012) (Incorporated by reference to Exhibit 10.1 filed with Form 8-K filed on April 4, 2012). |
|-------|--|
| 10.52 | Memorialization of extension of Maturity of Bassani convertible deferred compensation (dated July 31, 2012) (Incorporated by reference to Exhibit 10.1 filed with Form 8-K filed on August 3, 2012). |
| 10.53 | Memorialization of Smith Extension Agreement (dated August 14, 2012) (Incorporated by reference to Exhibit 10.1 filed with Form 8-K filed on August 21, 2012). |
| 10.54 | Memorialization of Bassani Extension Agreement (dated August 14, 2012) (Incorporated by reference to Exhibit 10.2 filed with Form 8-K filed on August 21, 2012). |
| 10.55 | Memorialization of Schafer Agreement (dated August 21, 2012) (Incorporated by reference to Exhibit 10.3 filed with Form 8-K filed on August 21, 2012). |
| 10.56 | Board Ratification dated May 5, 2013 (Incorporated by reference to Exhibit 10.1 filed with Form 10-Q filed on May 14, 2013). |
| 10.57 | Demand Promissory Note dated May 13, 2013 (Incorporated by reference to Exhibit 10.2 filed with Form 10-Q filed on May 14, 2013). |
| 10.58 | Pennvest Demand Letter (dated September 25, 2014) (Incorporated by reference to Exhibit 10.92 filed with Form 10-K filed on September 26, 2014). |
| 10.59 | Extension Agreement with Mark A. Smith (w/o exhibits) (February 10, 2015) (Incorporated by reference to Exhibit 10.1 filed with Form 10-Q filed on February 11, 2015). |

| | Extension Agreement with Dominic Bassani (w/o exhibits) (February 10, 2015) (Incorporated by reference to Exhibit 10.2 filed with Form 10-Q filed on February 11, |
|---------|---|
| | 2015). |
| 10.61 | Agreement with Edward Schafer (w/o exhibits) (February 10, 2015) (Incorporated by reference to Exhibit 10.3 filed with Form 10-Q filed on February 11, 2015). |
| 10.62 | Convertible Promissory Note between the Company and Dominic Bassani dated September 8, 2015 (Incorporated by reference to Exhibit 10.96 filed with Form 10-K filed on September 22, 2015). |
| 10.63 | Convertible Promissory Note between the Company and Edward Schafer dated September 8, 2015 (Incorporated by reference to Exhibit 10.97 filed with Form 10-K filed on September 22, 2015). |
| 10.64 | Convertible Promissory Note between the Company and Anthony Orphanos dated September 8, 2015 (Incorporated by reference to Exhibit 10.98 filed with Form 10-K filed on September 22, 2015). |
| 10.65 | Kreider Poultry Joint Venture Agreement (May 5, 2016) (Incorporated by reference to Exhibit 10.1 filed with Form 10-O filed on May 9, 2016). |
| 10.66 | Bassani Warrant Purchase effective August 1, 2018 (Incorporated by reference to Exhibit 10.100 filed with Form 10-K filed on September 24, 2019). |
| 10.67 | Smith Warrant Purchase effective August 1, 2018 (Incorporated by reference to Exhibit 10.101 filed with Form 10-K filed on September 24, 2019). |
| 10.68 | Amendment #9 to 2006 Consolidated Incentive Plan, as amended (Incorporated by reference to Exhibit 10.102 filed with Form 10-K filed on September 24, 2019). |
| 10.69 | Lease (executed September 23, 2021) (Incorporated by reference to Exhibit 10.1 filed with Form 8-K filed on September 29, 2021). |
| 10.70 | Subsidiaries of the Registrant (Incorporated by reference to Exhibit 21 filed with Form 10SB12G on November 14, 2006). |
| 10.71 | Buflovak/Hebeler Purchase Order (January 28, 2022)(without Technical Details and Standard Terms and Conditions) (Incorporated by reference to Exhibit 10.1 filed with Form & K filed on February 1, 2022) |
| 10.72 | Agreement with BioNTech SE re sale/purchase of domain name <biontech.com> (Incorporated by reference to Exhibit 10.1 filed with Form 8-K filed on March 25, 2022)</biontech.com> |
| 10.73 | Bion Environmental Technologies, Inc. 2021 Equity Incentive Award Plan. (Incorporated by reference to Exhibit 10.1 filed with Form 8-K filed on January 4, 2022). |
| 10.74 | William O'Neill Employment Agreement (effective May 1, 2022) (without exhibits). (Incorporated by reference to Exhibit 10.1 filed with Form 8-K filed on May 3, 2022). |
| 10.75 | Letter of Intent with Ribbonwire Ranch (July 20, 2022). (Incorporated by reference to Exhibit 10.1 filed with Form 8-K filed on July 27, 2022). |
| 31.1 | Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 - Filed herewith electronically. |
| 31.2 | Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 - Filed herewith electronically. |
| 32.1 | Certification of Chief Executive Officer Pursuant to Section 18 U.S.C. Section 1350. Furnished* |
| 32.2 | Certification of Principal Financial Officer Pursuant to Section 18 U.S.C. Section 1350, Furnished* |
| 101.INS | Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL 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) |

*This exhibit is being furnished rather than filed and shall not be deemed incorporated by reference into any filing, in accordance with Item 601 of Regulation S-K.

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| Report of Independent Registered Public Accounting Firm (Haynie & Company, PCAOB ID: 457) | F-2 |
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| Report of Independent Registered Public Accounting Firm (Eide Baily LLP; Denver, CO, PCAOB ID: 286) | F-4 |
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Bion Environmental Technologies, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of Bion Environmental Technologies, Inc. (the Company) as of June 30, 2023 and the related consolidated statements of operations, changes in stockholders' equity (deficit), and cash flow for the year then ended June 30, 2023, and the related notes (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of June 30, 2023 and the results of its operations and its cash flow for the year then ended June 30, 2023, in conformity with accounting principles generally accepted in the United States of America.

Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the

Company has yet to generate any revenue and has suffered recurring losses from operations. These factors raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also discussed in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

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

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

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

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Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing separate opinions on the critical audit matter or on the accounts or disclosures to which they relate.

Equity Transactions

As discussed in Note 6 and Note 7 to the financial statements, the Company has numerous equity-based agreements, including stock options and warrants issued for services and debt convertible into units (which include common stock and warrants). These agreements require management to estimate the value of options and warrants issued for services on the measurement date or include complicated calculations when debt is converted to equity. During the year ended June 30, 2023, the Company recorded stock-based compensation expense of \$249,744, warrants issued for services of \$62,563, warrant modifications of \$154,932, and a \$186,462 of debt converted to common stock.

Our audit procedures required a significant amount of time performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. Those procedures included gaining an overall understanding of the Company's process for estimating fair value and the related calculations. We read the related equity-based agreements verifying the terms of each agreement to the Company's calculations and ensuring the mathematical accuracy. We evaluated the assumptions used by management to develop their estimates and considered the relevant accounting guidance.

/s/ Haynie & Company

We have served as the Company's auditor since 2023.

Salt Lake City, Utah September 28, 2023

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CPAs & BUSINESS ADVISORS

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders Bion Environmental Technologies, Inc. Old Bethpage, New York

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Bion Environmental Technologies, Inc. (the "Company") as of June 30, 2022, and the related consolidated statements of operations, changes in stockholders' equity (deficit), and cash flows, for the year then ended, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of Bion Environmental Technologies, Inc. as of June 30, 2022, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of Bion Environmental Technologies, Inc. as of June 30, 2022, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has not generated significant revenue and has suffered recurring losses from operations. These factors raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also discussed in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

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

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

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

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved especially challenging, subjective or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Equity Transactions

As discussed in Note 7 to the financial statements, the Company has entered into various equity-based compensation agreements. These agreements include transactions, including the original issuance and subsequent modifications of warrants and stock options, that are required to be measured and accounted for at estimated fair value. These transactions resulted in recording of stock-based compensation expense of \$419,370, modification of options of \$-0-, warrant issuances of \$30,000, and warrant modifications of \$8,337 for the year ended June 30, 2022.

The Company's determination of the estimated fair values involves the identification of related financial instruments and a clear understanding of the terms of the agreements. Auditing management's estimates of fair value requires a high degree of auditor judgment and an increased extent of effort, including the need to carefully examine to understand the true nature of the related agreements.

The primary procedures we performed to address this critical audit matter included:

- · We gained an understanding of management's process and methodology to develop the estimates
- We examined agreements and agreed terms utilized in calculations
- We evaluated the reasonableness of the inputs and assumptions used by management in developing the estimates
- We recalculated the amounts and compared to management's calculation
- We evaluated the adequacy of the disclosures related to these fair value measurements.

Each Bailly LLP

We have served as Bion Environmental Technologies, Inc. auditor since 2017.

Denver, Colorado September 27, 2022

BION ENVIRONMENTAL TECHNOLOGIES, INC. AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS

| | _ | June 30, 2023 | June 30, 2022 | |
|---------------------------|----|------------------|------------------|--|
| A 00171 | | | | |
| ASSEI | .5 | | | |
| Current assets: | | | | |
| Cash | \$ | 625,964 | \$ 3,160,442 | |
| Prepaid expenses | | 16,785 | 157,550 | |
| Deposits and other assets | | 6,000 | 1,000 | |
| | | | | |
| | | 648,749 | 3,318,992 | |

| Total current assets | | |
|---|-------------------|---|
| | 00.055 | 1.15 - 50 - |
| Operating lease right-of-use asset | 93,8/5 | 145,787 |
| Property and equipment, net (Note 3) | 6,851,009 | 2,895,558 |
| Total assets | \$ 7,593,633 | \$ 6,360,337 |
| LIABILITIES AND EQUITY (DEFICIT) | | |
| | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | \$ 677,137 | \$ 1,360,644 |
| Deferred compensation (Note 4) | 864,781 | 594,798 |
| Operating lease liability, current (Note 9) | 75,000 | |
| Total current liabilities | 1.616.916 | 1.955.442 |
| | -,, | |
| Operating lease liability, long term (Note 9) | 29,068 | 128,864 |
| Convertible notes payable - affiliates (Note 6) | 1,715,970 | 5,170,610 |
| Total liabilities | 3,361,954 | 7,254,916 |
| | | |
| Equity (deficit): | | |
| Common stock, no par value, 250,000,000 shares authorized, 48,044,790 and 43,758,820 shares issued, | | |
| respectively; 47,340,480 and 43,054,511 shares outstanding, respectively | — | — |
| Additional paid-in capital | 131,935,418 | 123,620,046 |
| Subscription receivable - affiliates (Note 8) | (504,650) | (504,650) |
| Accumulated deficit | (127,236,663) | (124,047,548) |
| Total Bion's stockholders' equity (deficit) | 4,194,105 | (932,152) |
| | .,15 ,100 | (,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,, |
| Noncontrolling interest | 37,573 | 37,573 |
| Total equity (deficit) | 4,231,678 | (894,579) |
| | | |
| Total labilities and deficit | \$ 7,593,633 | \$ 6,360,337 |

See notes to consolidated financial statements

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BION ENVIRONMENTAL TECHNOLOGIES, INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF OPERATIONS YEARS ENDED JUNE 30, 2023 AND 2022

| | 2023 | | 2022 |
|---|--------------------|----|--------------|
| Revenue | \$ | \$ | _ |
| | | | |
| Operating expenses: | | | |
| General and administrative (including stock-based compensation) | 3,072,163 | | 2,348,324 |
| Depreciation | 1,645 | | 1,161 |
| Research and development (including stock-based compensation) | 82,759 | | 200,691 |
| | | | |
| Total operating expenses | 3,156,567 | | 2,550,176 |
| | , <u>, , _</u> | - | |
| Loss from operations | (3 156 567) | | (2,550,176) |
| | (0,100,001) | - | (2,000,170) |
| Other (income) expense: | | | |
| Interest income | (5.836) | | (5.625) |
| Interest expense | 38.384 | | 301.659 |
| Gain on sale of domain | | | (902,490) |
| Gain on legal dissolution of subsidiary | _ | | (10.234.501) |
| | | | (., , , |
| Total other expense | 32,548 | | (10.840.957) |
| | 02,010 | - | (10,010,007) |
| Net income (loss) | (3,189,115) | | 8,290,781 |
| | (0,000,000) | | -,,-,, |
| Net loss attributable to the noncontrolling interest | | | 1.544 |
| | | | 1,011 |
| Net income (loss) applicable to Bion's common stockholders | \$ (3,189,115) | \$ | 8,292,325 |

| Net income (loss) applicable to Bion's common stockholders per basic and diluted common share | <u>\$ (0.07</u>) | <u>\$ 0.20</u> |
|--|-------------------|----------------|
| Weighted-average number of common shares outstanding: | | |
| Basic and diluted | 45,038,479 | 41,962,302 |
| | | |

See notes to consolidated financial statements

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BION ENVIRONMENTAL TECHNOLOGIES, INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT) YEARS ENDED JUNE 30, 2022 AND 2021

| | Bion's Stockholders' | | | | | | | | | | |
|--|----------------------|--|--------|---|------------|---|---------------|----------------|-----------------|-----------|------------------|
| | Ser Preferi | Series A Series C referred Stock <u>Preferred Stock</u> | | Additional <u>Common Stock</u> paid-in | | Subscription Rec- -eivables for Accumulated | | Noncontrolling | Total | | |
| | Shares | Amount | Shares | Amount | Shares | Amoun | t capital | Shares | deficit | interest | equity/(deficit) |
| Balances, July 1, 2021 | | \$ — | — | \$ — | 41,315,986 | \$ — | 121,399,067 | \$ (504,650) | \$(132,339,873) | \$ 39,117 | \$ (11,406,339) |
| Warrants exercised for common shares | | | — | — | 2,315,550 | | 1,736,662 | | | | 1,736,662 |
| Commissions on warrant exercises | | — | — | — | 66,860 | | (18,601) | — | — | | (18,601) |
| Conversion of debt and liabilities | _ | _ | _ | _ | 35,424 | _ | 17,711 | — | | | 17,711 |
| Issuance of units for services | | — | — | — | 25,000 | | 27,500 | | | | 27,500 |
| Modification of warrants | | | — | — | _ | | 8,337 | | | | 8,337 |
| Issuance of warrants | | — | — | — | | | 30,000 | | | | 30,000 |
| Vesting of options for services | | | — | — | _ | | 419,370 | | | | 419,370 |
| Net income (loss) | | — | — | — | — | | | | 8,292,325 | (1,544) | 8,290,781 |
| Balances, June 30, 2022 | | \$ — | | \$ — | 43,758,820 | \$ — | \$123,620,046 | \$ (504,650) | \$(124,047,548) | \$ 37,573 | \$ (894,579) |
| Sale of units | | | | | 1,321,530 | | 1,906,230 | | | | 1,906,230 |
| Sales of common stock | | — | — | _ | 2,000,000 | | 2,000,000 | — | — | | 2,000,000 |
| Warrants exercised for common shares | | — | — | — | 175,114 | | 131,335 | | | | 131,335 |
| Issuance of units for services | | | — | — | 82,259 | | 130,000 | | | | 130,000 |
| Issuance of warrants for services | | — | — | — | | | 62,563 | | | | 62,563 |
| Conversion of debt and liabilities | | — | _ | — | 1,542,514 | | 186,462 | | | | 186,462 |
| Vesting of options for employees and | | | | | | | 240 744 | | | | 240 744 |
| Commissions on colo of curity | _ | _ | _ | _ | | | (96, 400) | _ | | | 249,744 |
| Modification of warmants, non-angle comm | _ | _ | | _ | _ | | (80,400) | | | | (80,400) |
| Modification of warrants - hon-cash comp | | _ | _ | | _ | | 72,590 | | | | 134,932 |
| Difference in the second secon | _ | _ | _ | _ | _ | | 2,589 | | | | 72,389 |
| Debt modification | | | | _ | | | 3,507,917 | — | (2.100.117) | — | 3,507,917 |
| Net loss | | | | | | | | | (3,189,115) | | (3,189,115) |
| Balances, June 30, 2023 | | <u> </u> | | \$ — | 48,880,237 | \$ — | \$131,935,418 | \$ (504,650) | \$(127,236,663) | \$ 37,573 | \$ 4,231,678 |

See notes to consolidated financial statements

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BION ENVIRONMENTAL TECHNOLOGIES, INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2023 AND 2022

| | 2023 | 2022 |
|---|----------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income (loss) | \$ (3,189,115) | \$ 8,290,781 |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Gain on legal dissolution of subsidiary | — | (10,234,501) |
| Depreciation expense | 1,645 | 1,161 |
| Accrued interest on loans payable, deferred compensation and other | 38,384 | 319,523 |
| Stock- based compensation | 249,744 | 346,846 |
| Stock-based compensation for services | 130,000 | — |
| Modification of warrants | 154,932 | — |
| Warrants issued for compensation for services | 62,563 | _ |
| Decrease (increase) in prepaid expenses | 140,765 | (33,501) |
| Increase (decrease) in deposits in other assets | (5,000) | |
| Increase (decrease) in accounts payable and accrued expenses | (879,618) | 366,629 |
| Decrease (increase) in operating lease assets and liabilities | 27,116 | (16,923) |

| Increase in deferred compensation | | 340,000 | | 289 200 |
|---|---------------|---|---------|-------------|
| | | 5 10,000 | | 20,200 |
| Net cash used in operating activities | | (2,928,584) | | (670,785) |
| | | <u>, , , , , , , , , , , , , , , , , , , </u> | | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Purchase of property and equipment | | (3,557,059) | | (2,062,155) |
| | | (* *** ***) | | |
| Net cash used in investing activities | | (3,557,059) | | (2,062,155) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| Proceeds from sale of units | | 3,906,230 | | _ |
| Proceeds from sale of warrants | | 131,335 | | 1,736,662 |
| Commissions on sale of warrants | | (86,400) | | (18,601) |
| Commissions on sale of units | | | | _ |
| Redemption of Preferred Series B shares and interest | | — | | (41,000) |
| | | 0.051.1/5 | | 1 (77)(1 |
| Net cash provided by imancing activities | | 3,951,165 | | 1,6//,061 |
| Net increase (decrease) in cash | | (2,534,478) | | (1,055,879) |
| Cash at beginning of year | | 3,160,442 | | 4,216,321 |
| Cash at end of year | \$ | 625.964 | \$ | 3 160 442 |
| | ψ | 025,704 | ψ | 5,100,112 |
| Supplemental disclosure of cash flow information: | | | | |
| Cash paid for interest | \$ | _ | \$ | — |
| Non-aash invosting and financing transpations: | | | | |
| A divergent for debt modification | 9 | 3 507 017 | ¢ | |
| Conversion of debt and liabilities into common units | \$ | 186.462 | ¢ ¢ | 17 711 |
| Conversion of debt and liabilities into notes payable | ې ۲ | 23 943 | ф С | 1/,/11 |
| Conversion of deferred compensation to notes payable | \$ | 90,000 | ф С | 190,000 |
| Capitalized interest in property and equipment | φ (| 170 084 | φ \$ | 32,000 |
| Shares issued for warrant everyise commissions | ф Ф | 17,904 | \$ | 50 145 |
| Purchase of property and equipment for accounts payable | \$ | 220.052 | \$ | 666.375 |

See notes to consolidated financial statements

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BION ENVIRONMENTAL TECHNOLOGIES, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2023 AND 2022

1. ORGANIZATION, NATURE OF BUSINESS, GOING CONCERN AND MANAGEMENT'S PLANS:

Organization and nature of business:

Bion Environmental Technologies, Inc.'s ("Bion," "Company," "We," "Us," or "Our") was incorporated in 1987 in the State of Colorado. Bion's mission is to make livestock production more sustainable, profitable and transparent. We intend to accomplish this by deploying our Gen3Tech platform/business model (discussed below) in ventures focused on the 'feeder' space of the livestock production/value chain to provide the consumer with verifiably sustainable premium meat products (together with environmentally friendly, sustainable and/or organic co-products from the production process). Bion believes this approach can create extraordinary value for our shareholders and employees (all of whom own securities in the Company) and for livestock/agriculture industry 'partners' who join us in our ventures. We anticipate pursuing the opportunity created by our third generation technology ("Gen3Tech") and business/technology platform in conjunction with other industry practices ("Gen3Tech Platform" or "Platform") utilizing a joint venture/strategic partner model. We believe our approach will improve the well-being of farmers, ranchers, feeders, etc. we work with and create value for our shareholders while improving the environment.

Our patented and proprietary technology provides advanced waste treatment and resource recovery for large-scale livestock production facilities (also known as "Concentrated Animal Feeding Operations" or "CAFOs"). Livestock production and its waste, particularly from CAFOs, has been identified as one of the greatest soil, air, and water quality problems in the U.S. today. Application of our Gen3Tech") can largely mitigate these environmental problems, while simultaneously improving operational/ resource efficiencies by recovering high-value co-products from the CAFOs' waste stream. These waste 'assets' – nutrients and methane – have traditionally been wasted or underutilized and are the same 'pollutants' that today fuel harmful algae blooms, contaminate surface groundwater, and exacerbate climate change.

Bion's business model and technology platform can create the opportunity for joint ventures (in various contractual forms) ("JVs") between the Company and large livestock/food/fertilizer industry participants based upon the supplemental cash flow generated by implementation of our Gen3Tech business model, which cash flows will support the costs of technology implementation (including servicing related debt). To accomplish Bion's goals, we anticipate the we will 'partner' with other technology companies who provide solutions for different links of the beef (and other livestock) value chain and with strategic partners up and down the supply chain.

We anticipate this will result in substantial long-term value for Bion. In the context of such JVs, we believe that the verifiable sustainable branding opportunities (conventional and organic) in meat will represent one of the largest enhanced revenue contributors provided by Bion to the JVs (and Bion licensees). The Company believes that the largest portion of its business with be conducted through such JVs, but a material portion may involve licensing and or other approaches.

Bion's Gen3Tech was designed to capture and stabilize these assets and produce renewable energy, fertilizer products, and clean water as part of the process of raising verifiably sustainable livestock. All steps and stages in the animal raising and waste treatment process will be third-party verified, providing the basis for additional revenues, including carbon and/or renewable energy-related credits and, eventually, payment for a range of ecosystem services, including nutrient credits as described below. The same verified data will be used to substantiate the claims of a USDA-certified sustainable brand that will support premium pricing for the meat/ animal protein products that are produced in Bion facilities.

During the first half of 2022 Bion began pre-marketing our sustainable beef to retailers, food service distributors and the meat industry in the U.S. In general, the response has

been favorable. During July 2022, Bion announced a letter of intent ("Ribbonwire LOP") to develop a large-scale commercial project - a 15,000-head sustainable beef cattle feeding operation together with the Ribbonwire Ranch, in Dalhart, Texas (with a provision to expand to 60,000 head) ("Dalhart Project"). During January 2023 Bion announced a letter of intent ("Olson LOP") to develop a large-scale commercial project - a 15,000-head sustainable beef cattle feeding operation together with the Olson Feeders and TD Angus, near North Platte, Nebraska (with a provision to expand to 45,000 head or more) ("Olson Project"). During April 2023 Bion announced a letter of intent ("DVG LOP") to develop a large-scale commercial project - a 15,000-head sustainable beef cattle feeding operation together with Dakota ("DVG Project"). Based on our experience to date, we believe we will not have difficulty in securing participation in our Projects from additional feeders/cattlemen. The Olson, Dalhart and DVG Projects (and subsequent Projects) will be developed to produce blockchain-verified, sustainable beef in customized covered barns (resulting in reduced stress on cattle caused by extreme weather and temperatures and resulting higher feed/weight gain efficiency) with ongoing manure transfer (through slatted floors) to anaerobic digesters (AD) to capture nitrogen from the manure stream before loss to the atmosphere and generate renewable natural gas (RNG) for sale while remediating the environmental/carbon impacts usually associated with cattle feed/tos and CAFOs. Bion's patented Gen3Tech platform will refine the waste stream into valuable coproducts that include clean water, RNG, photovoltaic solar electricity and fertilizer ('climate smart' and/or organic) products. We anticipate converting these LOIs into definitive JV agreements and creating related distribution agreements with key retailers and food service distributors during the current fiscal year.

Our business plan is focused on executing multiple agreements and letters of intent related to additional sustainable beef JV projects over the next twenty-four (24) months while moving forward with the Initial Project (see below) and commencing development of one or more of the Dalhart/Olson/DVG Projects ("LOI Projects")(and/or other Gen3Tech beef JV projects) while pursuing other opportunities in the livestock industry enabled by our Gen3Tech business model. The LOI announcements have generated significant interest within the livestock industry (among ranchers, feedlot operators, farmers and other AG industry parties) and has led to and assisted our discussions with many major of the larger agriculture/livestock industry companies (including those involved with distribution and/or sales of meat products) in the country which are ongoing at this date. We believe that this interest, combined with consumer interest in 'sustainable products' and growing enthusiasm among some livestock industry parties for environmental/sustainable/regenerative practices, may provide Bion (and its partners/venturers) with an opportunity to move forward with a truly sustainable solution in this industry segment at a rapid pace.

During the past nine months, the Company has constructed (construction is largely completed) our 3GTech Ammonia Recovery System ('ARS') located near Fair Oaks, Indiana and begun operations of phase 1 of our Initial Project (our commercial scale demonstration facility) located near Fair Oaks, Indiana. We recently announced that announced the ARS has achieved and maintained controlled steady-state operations under a variety of conditions. When operated at steady state, the system produces an ammonium distillate (solution), the base of Bion's nitrogen fertilizer products. Bion has begun optimizing the ARS's operating parameters with the goal of meeting and/or exceeding the results needed for Bion's economic models for large-scale commercial projects. The Company expects the current optimization phase will continue during the next quarter (or longer) and provide data required to support final design/engineering for commercial project modules. We believe this data will also provide additional potential stakeholders (cattle producers, cattle feeders, packers, distributors, retailers and financial institutions) with the information they need to proceed with confidence in collaborating with Bion on multiple new projects (see below).

The patented ARS is the core of Bion's Gen3Tech platform. It recovers and upcycles problem ammonia contained in the effluent from anaerobic digestion (where methane is captured and more ammonia is released) of the livestock manure waste stream. The ARS captures the ammonia, minimizing its environmental impacts and creating low-carbon and/or organic nitrogen fertilizer products with it. Over during the next quarter, the Company intends to produce ammonium distillate at Fair Oaks in several concentrations and initiate the application process for organic certification for each concentration of liquid fertilizer product. Bion will produce a solid/granular nitrogen fertilizer product at the Initial Project (when the crystalizer module is ready for operation) which we believe will be both 'Climate-Smart' and 'Water-Smart' – a pure nitrogen fertilizer with a low carbon footprint, that is water soluble and readily available to plants. Samples of the granular product will also be utilized to support organic certification applications. See **Fertilizer—Organic and 'ClimateSmart'** below.

During the next three - six/ months, the Company intends to fully complete construction of the Initial Project's phase 1, including the crystalizer module, and continue the optimization operations. Bion expects the Initial Project data will document the effectiveness of our Gen3Tech in a commercial-scale setting during the current fiscal year and support development of the LOI Projects (and/or other Gen3Tech beef JV projects) commencing later this fiscal year. We do not presently know the order in which these JV Projects will be developed as that decision will be made based on many factors not yet in place. We believe the Initial Project data will also provide additional potential stakeholders (cattle producers, cattle feeders, packers, food distributors and retailers and financial institutions) with the information they need to proceed with confidence in collaborating with Bion on multiple new projects (see below).

Bion is now focused primarily on: i) completion of development/construction and operation of the Initial Project, our initial commercial-scale Gen3Tech installation, and optimization of its operational parameters, ii) pre-development plan of the LOI Projects (and/or other Gen3Tech beef JV projects) including steps toward distribution agreements, iii) developing applications and markets for its low carbon 'ClimateSmart' and organic fertilizer products (including listings/certifications of multiple liquid and solid products) and its sustainable (conventional and organic) animal protein products, and iv) discussions regarding initiation and development of agreements and joint ventures ("JVs" as discussed herein) (and related Projects) based on the augmented capabilities of our Gen3Tech business platform (in the sustainable beef and other livestock segments), while (v) continuing to pursue business opportunities related to large retrofit projects (such as the Kreider poultry project JV described below) and vi) ongoing R&D activities.

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HISTORY, BACKGROUND AND CURRENT ACTIVITIES

Since the Company's inception, Bion has designed and developed advanced waste treatment systems for livestock. The first and second generations of Bion's technology platform were biological systems, primarily focused on nutrient control. Over 30 of these systems were deployed at New York dairies, Florida food processing facilities and dairies, North Carolina hog farms, a Texas dairy and a Pennsylvania dairy ("Kreider 1 Project"). The systems were highly effective at their intended purpose: capturing nitrogen and phosphorus. They produced BionSoil as a byproduct, which was a remarkably effective soil amendment/ fertilizer product, but whose value was not enough to support a viable business model. As such, these early technology iterations were entirely dependent on either implementation of new regulations requiring waste treatment, or subsidy/ incentive programs that would provide 'payment for ecosystem services'. By the mid-2010's, it became apparent that neither of these options were imminent or even assured, so the Company initiated the steps to reimagine and redesign its technology.

From 2016 to 2021 fiscal years, the Company focused most of its activities and resources on developing, testing and demonstrating the third generation of its technology and technology platform ("Gen3Tech") that was developed with an emphasis producing more valuable co-products from the waste treatment process, including renewable natural gas and ammonium bicarbonate, a low-carbon, organic 'pure' nitrogen fertilizer product, while raising sustainable livestock.

The \$175 billion U.S. livestock industry is under intense scrutiny for its environmental and public health impacts – its 'environmental sustainability'– at the same time it is struggling with declining revenues and margins (derived in part from clinging to its historic practices and resulting limitations and impacts) which threaten its 'economic sustainability'. Its failure to adequately respond to consumer concerns including food safety, environmental impacts, and inhumane treatment of animals have provided impetus for plant-based alternatives such as Beyond Meat and Impossible Burger (and many others) being marketed as "sustainable" alternatives for this growing consumer segment of the market (despite the lack of verifiably sustainable attributes).

The Company believes that its Gen3Tech, in addition to providing superior environmental remediation, creates opportunities for large scale production of i) verifiably sustainablebranded conventional livestock products and ii) verifiably sustainable organic-branded livestock products, both of which will command premium pricing (in part due to ongoing monitoring and third-party verification of environmental performance which will provide meaningful assurances to both consumers and regulatory agencies). Each of these two distinct market segments (which the Company intends to pursue in parallel) presents a production/marketing opportunity for Bion (but the former is far larger). Our Gen3Tech will also produce (as co-products) biogas, solar photovoltaic electricity in appropriate locations, and valuable low carbon/organic fertilizer products, which can be utilized in the production of organic grains for use as feed for raising organic livestock (some of which may be utilized in the Company's JV projects) and/or marketed to the growing organic fertilizer market.

During 2022-23, the Company entered into 3 LOIs setting forth the parties' intention to negotiate joint venture agreement ("JVA") and enter into joint ventures ("JV") to develop and operate 15,000 head integrated, sustainable beef facilities (with future expansion under consideration) including:

- a) innovative cattle barns (with slatted floors to facilitate movement of manure to the anaerobic digester and potentially solar PV generation on the rooftops which barns will improve the living conditions of the animals while increasing feeding/weight gain efficiency,
- b) 'customized' anaerobic digestion systems (including pretreatment to increase renewable natural gas ('RNG') production and an RNG cleaning system (which will include capture/recycling of the CO2) to allow pipeline sales and monetization of related environmental credits,
- c) a Bion Gen3Tech module (which will utilize the recycled CO2 to increase ammonia nitrogen/ammonium bicarbonate recovery) for the production of ammonia nitrogen fertilizer for use in organic and/or 'ClimateSmart' low carbon crop production (plus residual organic solids and clean water),
- d) which will produce verifiably sustainable beef products with USDA certified branding.

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The opportunity presented by the LOIs to commercialize the Company's Gen3Tech and business model matured more quickly than anticipated (reflecting strong industry and public momentum in favor of verifiably sustainable food ventures). As a result, we have shifted our plans to focus resources and make our initial 15,000 head operation a reality as soon as possible.

To place the LOI Projects in the context of Company's business plan (and our prior public disclosure), if the contemplated ventures moves forward on the timelines currently contemplated, active development of the the initial LOI Project will commence during 2024.

Prior to such activity, the Company has constructed and commenced operate of the initial phase of our previously discussed Gen3Tech demonstration project near Fair Oaks, Indiana ("Initial Project"): i) to validate our existing data and modeling at commercial scale and ii) to optimize the Bion Gen3Tech module for finalization of design parameters and fabrication details of our planned 15,000 head commercial facilities (including the LOIProjects). For the purposes of this initial phase, the Company, in order to accelerate the data acquisition phase, is utilizing anaerobic digester effluent from the nearby/contiguous Fair Oaks dairy. Thereafter, the Company will evaluate what, if any, additional facilities and testing will take place at that location.

The Initial Project is not being developed at economic commercial scale or with an expectation of profitability due to its limited scale. However, successful installation, commissioning, and operations will demonstrate scalability, determine operating parameters at scale, and provide ongoing production and engineering capabilities, all being critical steps that must be accomplished before developing large projects with JV partners.

During late September 2021, Bion entered into a lease for the development site of the Initial Project, our initial commercial scale Gen3Tech project, which Initial Project will be located on approximately four (4) acres of leased land near Fair Oaks, Indiana, and a related agreement regarding disposal of certain manure effluent with the Curtis Creek Dairy unit of Fair Oaks Farms ("FOF"). Design and pre-development work commenced during August 2021 and preliminary surveying, site engineering and other work is now underway along with site-specific engineering and design work. The Initial Project was initially planned to be an environmentally sustainable beef cattle feeding facility, equipped with state-of-the-art housing and Bion's 3G-Tech platform to provide waste treatment and resource recovery. Bion has designed the project to house and feed approximately 300 head of beef cattle. If all phases of the Initial Project are constructed, the facility will include Bion's Gen3Tech platform including: i) covered barns (possibly including roof top solar photovoltaic generation), ii) anaerobic digestion for renewable energy recovery, iii) livestock waste treatment and resource recovery technology, iv) Bion's ammonium bicarbonate recovery and crystallization technology and iv) data collection software to document system efficiencies and environmental benefits (with the Bion Gen3Tech facilities capable of treating the waste from approximately 1,500 head). The facility is large enough to demonstrate engineering capabilities of Bion's Gen3Tech at commercial scale, but small enough that it can be constructed and commissioned relatively quickly. Originally, construction and onsite assembly operations were targeted to commence sometime late in 2022, however, supply chain backlogs (many pandemic-associated) delayed delivery dates for core modules of the Bion system to the site until during January 2023. Construction has been substantially completed related to Phase 1 of the Initial Project, shakedown operations undertaken and t

The Initial Project is not being developed at economic commercial scale or with an expectation of profitability due to its limited scale. However, successful installation, commissioning, and operations will demonstrate scalability, determine operating parameters at scale, and provide ongoing production and engineering capabilities, all being critical steps that must be accomplished before developing large projects with JV partners.

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Specifically, the Initial Project was designed/developed to provide and/or accomplish the following:

- i. Proof of Gen3Tech platform scalability
 - Document system efficiency and environmental benefits and enable final engineering modifications to optimize each unit process within the Bion Gen3Technology platform.
 - Environmental benefits will include (without limitation) renewable energy production (natural gas recovery from AD and solar electric from integrated roof top photovoltaic generation); nutrient recovery and conversion to stable organic fertilizer; pathogen destruction; water recovery and reuse; air emission reductions.
- ii. Use Bion's data collection system to support 3rd party verified system efficiency requirement to qualify for USDA Process-Verified-Program (PVP): certification of sustainable branded beef (and potentially pork) product metrics.
- iii. Produce sufficient annonium bicarbonate nitrogen fertilizer ("AD Nitrogen") in liquid and solid forms for commercial testing by potential joint venture partners and/or purchasers, for university growth trials and to provide samples (and related documentation) to support applications for organic and/or 'ClimateSmart' certifications.
- iv. Produce sustainable beef products for initial test marketing efforts.

On January 28, 2022 Bion Environmental Technologies, Inc. ('Bion'), on behalf of Bion 3GI LLC ('3GI'), a wholly-owned subsidiary, entered into a Purchase Order Agreement with Buflovak and Hebeler Process Solutions (collectively 'Buflovak') in the amount of \$2,665,500 (and made the initial 25% payment (\$666,375) for the core of the 'Bion System' portion (without the crystallization modules which will be ordered and fabricated pursuant to subsequent agreements) of the previously announced 3G Tech Initial Project. This Purchase Order encompasses the core of Bion's 3G Technology. Subsequent agreements were executed with engineering firms, contractors and other entities related to the construction of the Initial Project. The Company received progress billing in March 2022 and June 2022 for the second and third 25% installments, both of which have been paid as of the filing date. On January 17, 2023 the Company received an invoice from Buflovak for \$533,100 which was paid on March 1, 2023 and on April 24,203 for \$83,275 which was paid on May 2, 2023 bringing the aggregate payments to \$2,615,500 as of the date of this filing. There remaining \$50,000 open on the Purchase Order has been billed on July 26,2023. In addition to the Purchase Order, the Company has incurred additional costs of \$4,182,260 on the Initial Project for capitalized interest and costs, non-cash compensation and consulting fees. \$3,962,207 has been paid and \$220,053 has been billed and not yet been paid.

The Initial Project will be carried out in stages with phase one focused largely on portions of items i. and iii. set forth above.

Upon completing the primary goals of phase 1 of the Initial Project (coupled with obtaining organic certifications(s) for our liquid and/or solid ammonium bicarbonate fertilizer product lines), Bion expects to be ready to move forward with its plans for development of much larger facilities including the LOI Projects, including final design of its Gen3Tech modules. The Company anticipates that discussions and negotiations it has begun (together with additional opportunities that will be generated over the next 12-24 months) regarding potential JVs with strategic partners in the financial, livestock and food distribution industries to develop large scale projects will continue during the optimization operations of the Initial Project with a 2024 goal of establishing multiple JV's for large scale projects that will produce sustainable and/or sustainable-organic com-fed beef. These products will be supported by a USDA PVP-certified sustainable brand that will, initially, highlight reductions in carbon and nutrient footprint, as well as pathogen reductions associated with foodborne illness and antibiotic resistance, along with the organic designation where appropriate. Bion has successfully navigated the USDA PVP application process previously, having received conditional approval of its 2G Tech platform (pending resubmission and final site audits), and is confident it will be successful in qualifying its Gen3Tech platform.

After the basic technology start-up milestones of the Initial Project (primarily optimization and steady-state operations of the core modules of our Gen3Tech platform) have been met, the Company will determine whether to complete the entire Initial Project as originally designed at that location or the relocate the core modules to an alternative permanent location. The Company has engaged in discussion with the University of Nebraska-Lincoln to jointly develop an integrated beef facility based on Bion's Gen3Tech and business model at its Klosterman Feedyard Innovation Center ("KFIC") (or other mutually agreed upon location) which facility would include innovative barns, an anaerobic digester and a Bion Gen3Tech system to conduct ongoing research and development related thereto and the KFIC is a possible site for the long-term re-location of the core modules. This venture, if it moves forward, is anticipated to include joint preparation of applications for grants and other funding from the USDA ('climate smart' program, rural development, etc.) and other sources. The Company will also evaluate re-locating the core module of the Initial Project to Dalhart, Texas, where it might be integrated into the first phases of the Dalhart Project and/or other locations.

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The Company's initial ammonium bicarbonate liquid product completed its Organic Materials Review Institute ("OMRI") application and review process with approval during May 2020. Applications for our first solid ammonium bicarbonate product line have been filed with OMRI, the California Department of Food & Agriculture ("CDFA") and the Iowa Organic Program ("IOP") and are in the review processes (which is likely to require an extended period of time and multiple procedural steps, in part due to the novel nature of our Gen3Tech in the context of organic certifications). See "Fertilizer– Organic and 'ClimateSmart'" below.

Additionally, the Company believes there will also be opportunities to proceed with selected 'retrofit projects' of existing facilities (see '<u>Gen3Tech Kreider 2 Poultry Project'</u> below as an example) in the swine, dairy and poultry industries utilizing our Gen3Tech.

Bion believes that substantial unmet demand currently exists- potentially very large - for 'real' meat/dairy/egg products that offer the verifiable/believable sustainability consumers seek, but with the taste and texture they have come to expect from American beef and pork, dairy and poultry. Numerous studies demonstrate the U.S. consumers' preferences for sustainability. For example, 2019 NYU Stern's Center for Sustainable Business study found that 'products marketed as sustainable grew 5.6 times faster than those that were not...' and that '...in more than 90 percent of consumer-packaged-goods (CPG) categories, sustainability-marketed products grew faster than their conventional counterparts.' Sales growth of plant-based alternatives, including both dairy and more recently ground meat (Beyond Meat, Impossible Foods, etc.) have shown that a large, but apparently limited, segment of consumers is choosing seemingly sustainable offering, and are also willing to pay a premium for it. Tyson Foods, in the context of launching its Brazen beef initiative, recently said, "consumers would be willing to pay at least 24 percent more for environmentally friendly, sustainable options at retail." Numerous studies also support the consumers' 'willingness-to-pay' (WTP) for sustainable choices, including a recent meta-analysis of 80 worldwide studies with results that calculate the overall WTP premium for sustainability is 29.5 percent on average.

As one of the largest contributors to some of the greatest air and water quality problems in America, it is clear that livestock waste cleanup, at scale, represents one of the greatest opportunities we have to reduce negative environmental impacts of the food supply chain on air and water quality. Bion's Gen3Tech platform, along with its business model, will enable the cleanup of one of the 'dirtiest' parts of the food supply chain: animal protein production and creates the opportunity to produce and market verifiably sustainable organic and conventional 'real meat' products that can participate in the growth and premium pricing that appears to be readily available for the 'right' products.

Bion believes that at least a premium segment of the U.S. beef industry (and potentially other livestock industry groups) is at the doorstep of a transformative opportunity to address the growing demand for sustainable food product offerings, while pushing back against today's anti-meat messaging. At \$66 billion/year (2021 wholesale/farmgate value), the beef industry is a fragmented, commodity industry whose practices date back decades. In 1935 inflation-adjusted terms, beef was 63% more expensive in 2021, while pork and chicken, which are now primarily raised in covered barns at CAFOs with highly integrated supply chains, were 12% and 62% cheaper, respectively. In recent years, the beef industry has come under increasing fire from advocacy groups, regulatory agencies, institutional investors, and ultimately, their own consumers, over concerns that include climate change, water pollution, food safety, and the treatment of animals and workers.

Advocacy groups targeting livestock and the beef industry have recently been joined by competitors that produce animal protein alternatives in seeking to exploit the industry's environmental and economic weaknesses. Their global anti-meat messaging has had a substantial chilling effect on the relationships the beef industry has with its institutional investors; retail distributors, such as fast-food restaurants; and mostly, its consumers. Led by the United Nations Food and Agriculture Organization, a coordinated anti-meat messaging campaign has targeted consumers worldwide, primarily focused on the industry's impacts on climate change. A 2018 NielsenIQ Homescan survey last year found that 39% of Americans are actively trying to eat more plant-based foods. Some of the recent growth in plant-based proteins results from increasing lactose intolerance and other health concerns; however, most of that growth is attributed to consumers' growing concerns for the environmental impacts of real meat and dairy. Several large US companies that have traditionally focused on livestock production, including Cargill, ADM, Perdue Foods, and Tyson, have also recently entered the plant protein space. While meat alternatives, especially plant-based protein producers like Beyond Meat and Impossible Foods, have been heavily promoted (by themselves and the media) and enjoyed remarkable initial sales growth, recently, sales have flattened and/or declined over the past 18 months. It should be noted that these plant-based protein producers are primarily expected to be able to serve the ground/ processed meat market, which represents only about 10 percent of the overall animal protein market. Further, there has recently been pushback to these plant-based products, focusing on their highly processed nature and unproven health benefits, scalability/ pricing, and their uncertain carbon footprint—and market growth rates have substantially slowed and may have already plateaued and/or peaked. There have also been several companies recently ente

In terms of changing customer preferences, 'saving the planet' has proven to be a more compelling argument than the traditional animal activism/ welfare pitch. To date, the primary beef 'industry response' to this has been grass-fed beef, which is regarded as a generally more sustainable offering than grain-fed (largely without empirical evidence). However grass-fed beef has had only limited acceptance in U.S. markets, because it is less flavorful and tougher than the traditional com-fed beef consumers have grown to enjoy. Sustainability initiatives have been launched by large US livestock producers (including Tyson's very recent 'Brazen' program), but it is not yet possible to determine the extent the attributes of such products will be substantive and verifiable rather than completely 'modeled' and largely public relations 'greenwashing'.

Each of these items supports Bion's belief that there is a potentially very large opportunity to supply premium sustainable beef products that satisfy consumer concerns. We believe that the real meat/beef products that can be cost-effectively produced today using our Gen3Tech platform, both sustainable and/or organic, can provide an affordable product that satisfies the consumer's desire for sustainability, but with the superior taste and texture those consumers have grown to prefer.

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Sustainable Beef

Bion's goal is to be one of the 'first to market' with meaningfully verified sustainable beef products that can be produced at sufficient scale to service national market demand. The cattle produced at Bion facilities will have a substantially lower carbon footprint, dramatically reduced nutrient impacts to water, and an almost total pathogen kill in the waste stream. Further, the economics of producing these cattle (including the cost of the facility/technology upgrade) will be greatly enhanced by the revenue realized from the recovery of valuable resources, including renewable energy, high-value fertilizer products, and clean water.

A Bion sustainable beef facility will be comprised of covered barns with slotted floors (allowing the waste to pass through) which will reduce ammonia and greenhouse gas volatilization and loss, as well as odors, thereby improving animal health and human working conditions while preventing air/soil pollution. The manure will be collected and moved directly to anaerobic digestion facilities which will produce renewable natural gas (and re-cycle CO2 from the gas cleaning process). Covered barns will reduce weather impacts on the livestock and have been demonstrated to promote improved general health and weight gain in the cattle housed in them. The barns' very large roof surface area will be utilized (in geographical locations with adequate sunshine and appropriate 'tariffs') for the installation of photovoltaic solar generation systems to produce electricity for the facility, as well as export to the grid. The barn roofs will also be configured to capture rainwater, which, coupled with the water recovered from the treatment process, will reduce the projects' reliance on current water supplies.

Waste treatment and resource recovery will be provided by Bion's advanced Gen3Tech platform, which Bion believes offers the most comprehensive solution for livestock waste available today. In addition to direct environmental benefits, every pound of nitrogen that is captured, upcycled, and returned to the agricultural nitrogen cycle as high-quality fertilizer (vs lost to contaminate downstream waters), is also a pound of nitrogen that will not have to be produced as synthetic urea or anhydrous annonia, with their tremendous carbon cost. System performance and environmental benefits will be monitored and verified through third parties, with USDA PVP certification of the sustainable brand that Bion also believes will be the most comprehensive available in the market.

Recently there have been efforts to establish sustainable brands (including USDA PVP certification) for a number of small-scale livestock producers (largely in the grass-fed beef category). To date, the reach and extent of such efforts is limited and it is difficult to determine their effectiveness. Additionally, there have been public announcements of initiatives related to beef sustainability (largely focused on the 'cow-calf' segment of the livestock chain) in procurement by major beef processing companies (including Tyson's very recent 'Brazen' program), but a closer look finds that many have consisted largely of 'green washing' public proclamations in the wake of environmental and social criticism that re-package prior initiatives and lack any significant new substance.

Sustainable Organic Beef

Bion also believes it may also have a unique opportunity to produce, at scale, affordable com-fed organic beef that is also certified as sustainable. In addition to the sustainable practices described above, organic-sourced beef cows would be finished on organic com, which would be produced using the ammonium bicarbonate fertilizer captured by the Gen3Tech platform. Bion believes its meat products will meet consumer demands with respect to sustainability and safety (organic) and provide the tenderness and taste American consumers have come to expect from premium conventional American beef. Such products are largely unavailable in the market today. We believe Bion's unique ability to produce the fertilizer needed to grow a supply of relatively low-cost organic corn, and the resulting opportunity to produce organic beef, will dramatically differentiate us from potential competitors. This organic opportunity is dependent on successfully establishing Bion's fertilizer products as acceptable for use in organic grain production.

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Today, organic beef demand is limited and mostly supplied with grass-fed cattle. While organic ground/ chopped meat has enjoyed success in U.S. markets, grass-fed steaks have seen limited acceptance, mostly resulting from consumer issues with taste and texture. In other words, it's tough. Regardless, such steaks sell for a significant premium over conventional beef. A grain-finished organic beef product is largely unavailable in the marketplace today due to the higher costs of producing organic corn and grain. The exception is offerings that are very expensive from small 'boutique' beef producers. Like all plants, corn requires nitrogen to grow. Corn is especially sensitive to a late-season application of readily available nitrogen – the key to maximizing yields. With non-organic field corn, this nitrogen is supplied by an application of a low-cost synthetic fertilizer, such as urea or anhydrous ammonia. However, the cost for suitable nitrogen fertilizer that can be applied late-season in organic corn production. The yield gap results in higher costs for organic corn that, in turn, make it uneconomical to feed that corn to livestock. As is the case for sustainable but not organic beef, Bion believes there is a potentially large unmet demand for affordable beef products that are both sustainable AND organic, but with the taste and texture consumers have come to expect from American beef. Bion's ability to produce the low-cost nitrogen fertilizer that can close the organic yield (and affordability) gap puts the Company in a unique, if not exclusive at this time, position to participate in JV's that will benefit from this opportunity starting next year.

The demonstrated willingness of consumers to purchase sustainable products (along with numerous research and marketing studies confirming consumers are seeking, and are willing to pay a premium for, sustainable products)----in combination with the threat to the livestock industry market (primarily beef and pork) posed by plant-based alternatives (heightened by pandemic conditions)---- has succeeded in focusing the large scale livestock industry on how to meet the plant-based market challenge by addressing the consumer sustainability issues. The consumer demand for sustainability appears to be a real and lasting trend, but consumers remain skeptical of generalized claims of 'sustainability'. To date, a large portion of the industry responses to this trend have been at a superficial level or consist of 'green washing', a deceptive marketing practice where companies promote non-substantive initiatives. Real sustainability for the livestock industry will require implementation of advanced waste treatment technology at or near the CAFOs – where most of the negative environmental impacts take place.

Fertilizer: Organic and 'Climate Smart'

The Company has focused a large portion of its activities on developing, testing and demonstrating the 3rd generation of its technology and technology platform ("Gen3Tech") with emphasis on increasing the efficiency of production of valuable co-products from the waste treatment process, including ammonia nitrogen in the form of low carbon and/or organically certified soluble nitrogen fertilizer products. The Company's low concentration ammonium bicarbonate liquid product successfully completed its Organic Materials Review Institute ("OMRI") application and review process with listing approval during May 2020. During the next 3-4 months the Company intends to file applications with OMRI and the California Department of Food & Agriculture ("CDFA") for a line of higher concentration liquid ammonium nitrogen products (ranging from 6% up to 16% (or higher)) based on production of liquid samples during operation of the Initial Project over the next 2 months. The Company anticipates applying for and obtaining one or more listings/certifications for higher concentration products in our liquid ammonium nitrogen fertilizer line well prior to operational dates for the Company's initial large scale JV Gen3Tech Sustainable Beef Projects.

Additionally, the Company intends to explore the market potential for its fertilizer (in liquid and/or solid forms) to be a verifiably 'ClimateSmart' product (potentially a much larger market than the organic market) with focus on higher value specialty crops. This will require working with industry and academic entities to develop appropriate metrics and producing a 'life cycle assessment' (LCA) for Bion's ammonium nitrogen fertilizer product which can be compared to conventional nitrogen fertilizer products. Bion's processes

will capture and utilize CO2 in the waste stream (including CO2 produced with the renewable natural gas (RNG) by anaerobic digestion that is usually vented to the atmosphere) as stabilizing agent thereby potentially creating carbon offsets compared to natural gas utilized as feedstock in chemical ammonia production which reduction will be reflected in the LCA. This LCA will assess environmental impacts associated with fertilizer production in support of the beef cattle supply chain for both the existing conventional approach (primarily fossil fuel-based Haber-Bosch production methods) and the largely decarbonized Bion production approach. We believe a series of coincident yet significant LCA benefits accrue from Bion's patented fertilizer production approach including the reduced loss of ammonia to the environment via air (volatilized) and water (nitrate in groundwater) pathways, recycled/reused water, elimination of pathogens, the production of renewable natural gas, the production solar energy from photovoltaic panels on barn roofs, enhanced animal welfare practices and reduced animal husbandry risks from extreme weather events. Bion believes that current evaluations of the carbon impact from feedlot operations materially underestimate the negative impacts because existing models do not properly include significant 'downstream' carbon impacts of required energy intensive waste water treatment for re-deposited ammonia nitrogen. If the Company determines there is a significant 'ClimateSmart' opportunity for our fertilizer products, such an LCA can be completed (based in part on data from the Initial Project) and support marketing efforts well prior to operational dates for the Company's initial large scale JV Gen3Tech projects.

Animonium bicarbonate, manufactured using thermal and mechanical processes, has a long history of use as a fertilizer. In addition to liquid ammonium nitrogen fertilizer, Bion's Gen3Tech is capable of recovering nitrogen in the form of solid ammonium bicarbonate products containing up to 18%-22% (or higher) nitrogen in a crystalline form that is easily transported (while producing liquids with various percentages of ammonium bicarbonate nitrogen during interim stages of the process). This solid product is water soluble and provides a readily available nitrogen source for crops. It will contain virtually none of the other salt, iron and mineral constituents of the livestock waste stream that often accompany other organic fertilizers. This product is being developed to fertilizer industry standards so that it that can be precision-applied to crops using existing equipment. Bion believes that this product will potentially have broad applications in the production of organic and/or ClimateSmart grains for livestock feed, row crops, horticulture, greenhouse and hydroponic production, and potentially retail lawn and garden products.

The ammonium bicarbonate products (liquid and solid) produced by Bion's Gen3Tech platform will enjoy a dramatically lower carbon footprint than synthetic nitrogen fertilizers. Much of the reactive nitrogen captured and upcycled into our fertilizer products was going to be lost through volatilization and runoff, and that loss would generally need to be offset with a synthetic nitrogen fertilizer, such as anhydrous ammonia or urea. These synthetic nitrogen products are produced through the Haber-Bosch (and other) synthetic processes, which converts hydrogen and atmospheric nitrogen to ammonia, with methane from fossil fuels as the energy source. It is an extremely energy-intensive process with a carbon footprint that, while not yet fully understood, is widely accepted to by very large. While a complete Life Cycle Assessment (LCA) of carbon impacts from synthetic fertilizer productivity, its production alone is responsible for approximately 1 percent of total global CO2 emissions. To the extent that Bion can capture and repurpose the nitrogen traditionally lost from livestock waste, that carbon cost will no longer need to be paid by the environment/climate.

Applications for our first solid form of concentrated ammonia, soluble nitrogen fertilizer product line were filed with OMRI (filed during May 2021) and CDFA (filed during May 2022) without success to date. After an extended review processes (which was largely opaque), the OMRI application proceeded through multiple stages without receiving a positive result. We have initiated an informal dialogue with CDFA regarding the basis for and re-consideration of its initial determination and anticipate submitting additional supporting materials to CDFA during the next 30 days. The Company's solid product line is novel (in the context of organic certification) in part due to the fact that no formal listing category currently in the organic space for a solid form of concentrated ammonia, soluble nitrogen fertilizers and there is no clear guidance at present from internal policy manuals on how to categorize this product and the process that produces it. There is also no clear guidance at present from either the NOP or the National Organic Standards Board ("NOSB") (which is currently involved in a related review and recommendations process regarding 'high nitrogen liquid fertilizers' derived from ammonia from manure). The Company and its representatives, along with a number of other organic fertilizer stakeholders, are involved in discussions regarding resolution of these matters at all three levels. The Company intends to continue efforts to obtain listing/certification for its solid nitrogen fertilizer line over the course of this fiscal year.

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Gen3Tech Kreider 2 Poultry Project

Bion has done extensive pre-development work related to a waste treatment/renewable energy production facility to treat the waste from KF's approximately 6+ million chickens (planned to expand to approximately 9-10 million) (and potentially other poultry operations and/or other waste streams) ('Kreider Renewable Energy Facility' or 'Kreider 2 Project'). On May 5, 2016, the Company executed a stand-alone joint venture agreement ("JVA") with Kreider Farms covering all matters related to development and operation of Kreider 2 system to treat the waste streams from Kreider's poultry facilities in Bion PA2 LLC ("PA2"). Now that development of the Company's Gen3Tech is being deployed, the Company has commenced discussions with KF regarding updating and amending the JV agreement and anticipates executing an amended joint venture agreement during 2023. During May 2011 the PADEP certified a smaller version of the Kreider 2 Project (utilizing our 2nd generation technology) under the old EPA's Chesapeake Bay model. The Company anticipates that if and when new designs are finalized utilizing our Gen3Tech, a larger Kreider 2 Project will be re-certified for a far larger number of credits (management's current estimates are between 2-4 million (or more) nutrient reduction credits for treatment of the waste stream from Kreider's poultry pursuant to the amended EPA Chesapeake Bay model and agreements between the EPA and PA). Note that this Project may also be expanded in the future to treat wastes from other local and regional CAFOs (poultry and/or dairyincluding the Kreider Dairy) and/or additional Kreider poultry expansion (some of which may not qualify for nutrient reduction credits). The Company anticipates if and when PA2 re-commences work on the Kreider 2 Project, it will submit a new application based on our Gen3Tech. Site specific design and engineering work for this facility have not commenced, and the Company does not yet have financing in place for the Kreider 2 Project. This opportunity is being pursued through PA2. If there are positive developments related to the market for nutrient reductions in Pennsylvania, of which there is no assurance, the Company intends to pursue development, design and construction of the Kreider 2 Project with a goal of achieving operational status for its initial modules during the following calendar year. The economics (potential revenues and profitability) of the Kreider 2 Project, despite its proposed use of Bion's Gen3Tech for increased recovery of marketable by-products and sustainable branding, are based in material part the long-term sale of nutrient (nitrogen and/or phosphorus) reduction credits to meet the requirements of the Chesapeake Bay environmental clean-up. However, liquidity in the Pennsylvania nutrient credit market has not yet developed significant breadth and depth, which lack of liquidity has negatively impacted Bion's business plans and will most likely delay PA2's Kreider 2 Project and other proposed projects in Pennsylvania.

Note that while Bion believes that the Kreider 2 Project and/or subsequent Bion Projects in PA and the Chesapeake Bay Watershed will eventually generate revenue from the sale of: a) nutrient reductions (credits or in other form), b) renewable energy (and related credits), c) sales of fertilizer products, and/or d) potentially, in time, credits for the reduction of greenhouse gas emissions, plus e) license fees/premiums related to a 'sustainable brand', the Covid-19 pandemic has delayed legislative efforts needed to commence its development. However, the Company is currently engaged in dialogue with the regional EPA office and the Chesapeake Bay Program Office regarding the potential of the Company's Gen3Tech Kreider2 Project (and other potential projects) to enable Pennsylvania to move forward toward meeting its Chesapeake Bay clean-up goals. We believe that the potential market is very large, but it is not possible to predict the exact timing and/or magnitude of these potential markets at this time.

Technology Deployment: Bion Gen3Tech

In the absence of firm regulatory mandates, widespread deployment of waste treatment technology, and the sustainability it enables, is largely dependent upon generating sufficient additional revenues to offset the capital and operating costs associated with technology adoption. Bion's Gen3Tech business platform has been developed to create opportunities for such augmented revenue streams, while providing third party verification of sustainability claims. The Gen3Tech platform has been designed to maximize the value of co-products produced during the waste treatment/recovery processes, including pipeline-quality renewable natural gas (biogas) and commercial fertilizer products approved for organic production and/or certified as 'ClimateSmart'. All processes will be verifiable by third parties (including regulatory authorities and certifying boards) to comply with environmental regulations and trading programs and meet the requirements for: a) renewable energy and carbon credits, b) organic certification of the fertilizer coproducts and c) USDA PVP certification of an 'Environmentally Sustainable' brand (see discussion above and below), and d) payment for verified ecosystem services. The Company's first patent on its Gen3Tech was issued during 2018. In August 2020, the Company received a Notice of Allowance on its third patent which significantly expands the breadth and depth of the Company's Gen3Tech coverage. The Company has additional applications pending and/or planned.

Bion's business model and technology platform can create the opportunity for joint ventures (in various contractual forms)("JVs") between the Company and large livestock/food/fertilizer industry participants based upon the supplemental cash flow generated by implementation of our Gen3Tech business model, which cash flows will support the costs of technology implementation (including servicing related debt). We anticipate this will result in substantial long term value for Bion. In the context of such JVs, we believe that the verifiable sustainable branding opportunities (conventional and organic) in meat will represent the single largest enhanced revenue contributor provided by Bion to the JVs (and Bion licensees). The Company believes that the largest portion of its business with be conducted through such JVs, but a material portion may involve licensing and or other approaches.

In parallel with technology development, Bion has worked (which work continues) to implement market-driven strategies designed to stimulate private-sector participation in the overall U.S. nutrient and carbon reduction strategy. These market-driven strategies can generate "payment for ecosystem services", in which farmers or landowners are rewarded for managing their land and operations to provide environmental benefits that will generate additional revenues. Existing renewable energy credits for the production and use of biogas are an example of payment for ecosystem services. Another such strategy is nutrient trading (or water quality trading), which will potentially create markets (in Pennsylvania and other states) that will utilize taxpayer funding for the purchase of verified pollution reductions from agriculture ("nutrient credits") by the state (or others) through competitively-bid procurement programs. Such credits can then be used as a 'qualified offset' by an individual state (or municipality) to meet its federal clean water mandates at significantly lower cost to the taxpayer. Market-driven strategies, including competitive procurement of verified credits, is supported by U.S. EPA, the Chesapeake Bay Commission, national livestock interests, and other key stakeholders. Legislation in Pennsylvania to establish the first such state competitive procurement program passed the Pennsylvania Senate by a bi-partisan majority during March 2019 but has not yet crossed the hurdles required for actual adoption. The Covid-19 pandemic and related financial/budgetary crises have slowed progress for this and other policy initiatives and, as a result, it is not currently possible to project the timeline for completion (or meaningful progress) of this and other similar initiatives (see discussion below).

The livestock industry and its markets are already changing. With our commercial-ready technology and business model, Bion believes it has a 'first-mover advantage' over others that will seek to exploit the opportunities that will arise from the industry's inevitable transformation. Bion anticipates moving forward with the development process of its initial commercial installations utilizing its Gen3Tech, during the current 2024 fiscal year. We believe that Bion's Gen3Tech platform and business model can provide a pathway to true economic and environmental sustainability with 'win-win' benefits for at least a premium sector of the livestock industry, the environment, and the consumer, an opportunity which the Company intends to pursue.

The Livestock Problem

The livestock industry is under tremendous pressure from regulatory agencies, a wide range of advocacy groups, institutional investors and the industry's own consumers, to adopt sustainable practices. Environmental cleanup is inevitable and has already begun — and policies have already begun to change, as well. Bion's Gen3Tech was developed for implementation on large scale livestock production facilities, where scale drives both lower treatment costs and efficient co-products production, as well as dramatic environmental improvements. We believe that scale, coupled with Bion's verifiable treatment technology platform, will create a transformational opportunity to integrate clean production practices at (or close to) the point of production—the primary source of the industry's environmental impacts. Bion intends to assist the forward-looking segment of the livestock industry to bring animal protein production in line with 21st Century consumer demands for meaningful sustainability.

In the U.S. (according to the USDA's 2017 agricultural census) there are over 9 million dairy cows, 90 million beef cattle, 60 million swine and more than 2 billion poultry which provides an indication of both the scope of the problem addressed by Bion's technology, as well as the size of Bion's opportunity. Environmental impacts from livestock production include surface and groundwater pollution, greenhouse gas emissions, animonia, and other air pollution, excess water use, and pathogens related to foodborne illnesses and antibiotic resistance. While the most visible and immediate problems are related to nutrient runoff and its effects on water quality, the industry has recently been targeted by various stakeholder groups for its impacts on climate change.

Estimates of total annual U.S. livestock manure waste vary widely, but start around a billion tons, between 100 and 130 times greater than human waste. However, while human waste is generally treated by septic or municipal wastewater plants, livestock waste – raw manure – is spread on our nation's croplands for its fertilizer value. Large portions of U.S. feed crop production (and most organic crop production) are fertilized, in part, in this manner. Under current manure management practices, 80% or more of total nitrogen from manure, much of it in the form of ammonia, escapes during storage, transportation, and during and after soil application, representing both substantial lost value and environmental costs.

More than half of the nitrogen impacts from livestock waste come from airborne ammonia emissions, which are extremely volatile, reactive and mobile. Airborne ammonia nitrogen eventually settles back to the ground through atmospheric deposition — it 'rains' everywhere. While some of this nitrogen is captured and used by plants, most of it runs off and enters surface waters or percolates down to groundwater. It is now well-established that most of the voluntary conservation practices, such as vegetated buffers that 'filter' runoff (often referred to as "BMPs" or "Best Management Practices" that have traditionally been implemented to attempt to mitigate nutrient runoff), are considerably less effective than was previously believed to be the case. This is especially true with regard to addressing the volatile and mobile nitrogen from ammonia emissions, because BMPs are primarily focused on surface water runoff, directly from farm fields in current production, versus the re-deposition that takes place everywhere or groundwater flow.

Runoff from livestock waste has been identified in most of our major watersheds as a primary source of excess nutrients that fuel algae blooms in both fresh and saltwater. Over the last several years, algae blooms have become increasingly toxic to both humans and animals, such as the Red Tides on the Florida and California coasts, and the Lake Erie algae bloom that cut off the water supply to Toledo, Ohio, residents in 2014. When the nutrient runoff subsides, it leaves the algae blooms with no more 'food' and the blooms die. The algae's decomposition takes oxygen from the water, leading to 'dead zones' in local ponds, lakes, and ultimately, the Great Lakes, as well as the Chesapeake Bay, Gulf of Mexico, and other estuary waters. Both the toxic algae blooms and the low/no-oxygen dead zones devastate marine life, from shrimp and fish to higher mammals, including dolphins and manatees. U.S. EPA already considers excess nutrients "one of America's most widespread, costly and challenging environmental problems". Nutrient runoff is expected to worsen dramatically in the coming decades due to rising temperatures and increasing rainstorm intensity as a result of climate change.

Nitrate-contaminated groundwater is of growing concern in agricultural regions nationwide, where it has been directly correlated with nutrient runoff from upstream agricultural operations using raw manure as fertilizer. Pennsylvania, Wisconsin, California and Washington, and others, now have regions where groundwater nitrate levels exceed EPA standards for safe drinking water. High levels of nitrate can cause blue baby syndrome (methemoglobinemia) in infants and affect women who are or may become pregnant, and it has been linked to thyroid disease and colon cancer. EPA has set an enforceable standard called a maximum contaminant level (MCL) in water for nitrates at 10 parts per million (ppm) (10 mg/L) and for nitrites at 1 ppm (1 mg/L). Federal regulations require expensive pretreatment for community water sources that exceed the MCL; however, private drinking water wells are not regulated, and it is the owners' responsibility to test and treat their wells. Additionally, groundwater flows also transport this volatile nitrogen downstream where, along its way, it intermixes with surface water, further exacerbating the runoff problem. Like atmospheric deposition, the current conservation practices we rely on to reduce agricultural runoff are largely bypassed by this subsurface flow.

Additionally, in arid climates, such as California, airborne ammonia emissions from livestock manure contribute to air pollution as a precursor to PM2.5 formation, small inhalable particulate matter that is a regulated air pollutant with significant public health risks. Whether airborne or dissolved in water, ammonia can only be cost-effectively controlled and treated at the source—before it has a chance to escape into the environment where it becomes extremely expensive to 'chase', capture, and treat.

High phosphorus concentrations in soils fertilized with raw manure are another growing problem. The ratio of nitrogen to phosphorus in livestock waste is fixed, and because

manure application rates are calculated based on nitrogen requirements, often phosphorus is overapplied as an unintended consequence. Phosphorus accumulation in agricultural soils reduces its productivity, increases the risk of phosphorus runoff, and represents a waste of a finite resource. Decoupling the nitrogen from the phosphorus would allow them to be precision-applied, independently of each other, when and where needed.

The livestock industry has recently come under heavy fire for its impacts on climate change, which has become a rallying cry for the anti-meat campaign discussed above. Estimates of the magnitude of those impacts vary widely, but the general consensus is that globally, livestock account for 14.5 percent of greenhouse emissions. In the U.S. however, that number drops to 4.2 percent, due to the increased efficiencies of American beef production. The greatest impacts come from direct emissions of methane from enteric fermentation (belches), methane and nitrous oxide emissions from the manure, with arguably the largest being the massive carbon footprint of the synthetic nitrogen fertilizers used to grow the grains to feed the livestock.

For decades the livestock industry has overlooked and/or socialized its environmental problems and costs. Today, the impacts of livestock production on public health and the environment can no longer be ignored and are coming under increasing scrutiny from environmental groups and health organizations, regulatory agencies and the courts, the media, consumers, and activist institutional investors. The result has been a significant and alarming loss of market share to plant-based protein and other alternative products. Bion's Gen3Tech platform was designed to resolve these environmental issues and bring the industry in line with twenty-first century consumer expectations.

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Going concern and management's plans:

The Company's audited financial statements have been prepared assuming the Company will continue as a going concern. The Company has not generated significant revenues and generated/incurred a net income of \$8,292,000 for the year ended June 30, 2022 and a net loss of approximately \$3,189,000 during the year ended June 30, 2023. The net income for the year ended June 30, 2022 was largely due to a one-time, non-cash event of the dissolution of PA-1 resulting in a gain of approximately \$10,235,000 as well as a one-time gain of \$902,000 from the sale of the Company's 'biontech.com' domain pursuant to a purchase agreement during the period. At June 30, 2023, the Company has a working deficit and a stockholders' equity of approximately \$968,000 and \$4,194,000, respectively. During the year ended June 30, 2023 the Company had debt modifications that resulted in a reduction of debt of \$3,522,000 and an increase in equity in the same amount. These factors raise substantial doubt about the Company's ability to continue as a going concern. The accompanying consolidated financial statements do not include any adjustments relating to the recoverability or classification of assets or the amounts and classification of liabilities that may result should the Company be unable to continue as a going concern. The following paragraphs describe management's plans with regard to these conditions.

The Company continues to explore sources of additional financing (including potential agreements with strategic partners – both financial and ag-industry) to satisfy its current and future operating and capital expenditure requirements as it is not currently generating any significant revenues.

During the years ended June 30, 2023 and 2022, the Company received gross proceeds of approximately \$4,038,000 and \$1,737,000, respectively, from the sale of its debt and equity securities. The company paid commissions on the exercise of warrants in the amount of \$86,000 and \$19,000 in 2023 and 2022, respectively.

During fiscal years 2023 and 2022, the Company faced less difficulty in raising equity funding (but was subject to substantial equity dilution from the larger amounts of equity financing during the periods) than was experienced in the prior 3 years. However, this positive trend did not continue during the last quarter of the 2023 fiscal year and first quarter of the current fiscal year (to date). The Company raised only raised very limited equity funds during such periods to meet its some of its immediate needs, therefore, the Company needs to raise additional funds in the upcoming periods. The Company currently faces substantial increases in demand for capital and operating expenditures for the fiscal year 2024 to date (and we anticipate such increased demands will continue during the remainder of the 2024 fiscal year and periods thereafter) as it moves toward commercial implementation of its 3G Tech and development of JVs (including costs associated with additions of personnel to carry out the business activities of the Company) and, therefore, is likely to continue to face, significant cash flow management issues due to limited capital resources and working capital constraints which had only recently begun to be alleviated. As a result, the Company has faced, and continues to face, significant cash flow management challenges due to material working capital constraints. To partially mitigate these working capital constraints, the Company's core senior management and some key employees and consultants have been deferring most of their cash compensation and/or are accepting compensation in the form of securities of the Company (Notes 5 and 7 to Financial Statements) and members of the Company's senior management have from time to time made loans to the Company and may need to do so in future periods. Note that, to deal with earlier capital constraints, during the year ended June 30, 2018, senior management and certain core employees and consultants agreed to a one-time extinguishment of liabilities owed by the Company which in aggregate totaled \$2,404,000. Additionally, the Company made reductions in its personnel during the years ended June 30, 2014 and 2015 and again during the year ended June 30, 2018. As set forth in detail elsewhere herein, during the year ended June 30, 2023 senior management (and family members) who held convertible obligations of the Company adjusted the terms of their outstanding notes and agreed to debt modifications that reduced of the Company's debt by \$3,522,000 and increased shareholders equity by the same amount. The constraints on available resources have had, and continue to have, negative effects on the pace and scope of the Company's efforts to develop its business. The Company has had to delay payment of trade obligations and has had to economize in many ways that have potentially negative consequences. If the Company is able to raise needed funds during the remainder of the current fiscal year (and subsequent periods), of which there is no assurance, management will not need to consider deeper cuts (including additional personnel cuts) and/or curtailment of ongoing activities including research and development activities.

The Company will need to obtain additional capital to fund its operations and technology development, to satisfy existing creditors, to develop Projects (including operations at the Initial Project, JV Projects (including the Dalhart/Olson/DVG Projects), and the Kreider 2 facility) and CAFO Retrofit waste remediation systems. The Company anticipates that it will seek to raise from \$20,000,000 to \$80,000,000 or more debt and/or equity through joint ventures, strategic partnerships and/or sale of its equity securities (common, preferred and/or hybrid) and/or debt (including convertible) securities, and/or through use of 'rights' and/or warrants (new and/or existing) and/or through other means during the next twelve months. However, as discussed above, there is no assurance, especially in light of the difficulties the Company has experienced in many recent years and the extremely unsettled capital markets that presently exist for small companies like us, that the Company will be able to obtain the funds that it needs to stay in business, complete its technology development or to successfully develop its business and Projects.

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There is no realistic likelihood that funds required during the next twelve months (or in the periods immediately thereafter) for the Company's basic operations, the Initial Project and/or proposed JVs and/or Projects will be generated from operations. Therefore, the Company will need to raise sufficient funds from external sources such as debt or equity financings or other potential sources. The lack of sufficient additional capital resulting from the inability to generate cash flow from operations and/or to raise capital from external sources would force the Company to substantially curtail or cease operations and would, therefore, have a material adverse effect on its business. Further, there can be no assurance that any such required funds, if available, will be available on attractive terms or that they will not have a significantly dilutive effect on the Company's existing shareholders. All of these factors have been exacerbated by the extremely limited and unsettled credit and capital markets presently existing for small companies like Bion.

Covid-19 pandemic related matters:

The Company faces many risks and uncertainties and factors beyond our control that have been magnified during the current Covid-19 pandemic and the unique economic, financial, governmental and health-related conditions in which the Company, the country and the entire world now reside. To date the Company has experienced direct impacts in various areas including but without limitation: i) government ordered shutdowns which have slowed the Company's research and development projects and other initiatives, ii) shifted focus of state and federal governments which is likely to negatively impact the Company's legislative initiatives in Pennsylvania and Washington D. C., iii) strains and uncertainties in both the equity and debt markets which have made discussion and planning of funding of the Company and its initiatives and projects with investment bankers, banks and potential strategic partners more tenuous, iv) strains and uncertainties in the agricultural sector and markets have made discussion and planning more difficult as future

industry conditions are now more difficult to assess and predict, v) constraints due to problems experienced in the global industrial supply chain since the onset of the Covid-19 pandemic, which have delayed certain research and development testing and have delayed and/or increased the cost of construction of the Company's initial 3G Tech installation as equipment/services remain difficult to acquire in a timely manner, vi) due to the age and health of our core management team, many of whom are age 70 or older and have had one or more existing health issues (including brief periods of Covid-19 infection), the Covid-19 pandemic places the Company at greater risk than was previously the case (to a higher degree than would be the case if the Company had a larger, deeper and/or younger core management team), and vii) there almost certainly will be other unanticipated consequences for the Company as a result of the current pandemic emergency and its aftermath.

2. SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation:

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Bion Integrated Projects Group, Inc., Bion Technologies, Inc., BionSoil, Inc., Bion Services, Bion PA2 LLC and Bion 3G-1 LLC ("3G1"); and its 58.9% owned subsidiary, Centerpoint Corporation ("Centerpoint"). All significant intercompany accounts and transactions have been eliminated in consolidation.

Bion PA1 LLC was dissolved on December 29, 2021 (See Note 5). Its operating losses are included in the consolidation through December 29, 2021.

Cash and cash equivalents:

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash and cash equivalents. As of June 30, 2023 and June 30, 2022 there are no cash equivalents.

Property and equipment:

Property and equipment are stated at cost and are depreciated, when placed into service, using the straight-line method over the estimated useful lives of the related assets, generally three to twenty years. The Company capitalizes all direct costs and all indirect incrementally identifiable costs related to the design and construction of its Integrated Projects such as consulting fees, internal salaries and benefits and interest. The Company reviews its property and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss would be recognized based on the amount by which the carrying value of the assets or asset group exceeds its estimated fair value, and is recognized as a loss from operations.

Patents:

The Company has elected to expense all costs and filing fees related to obtaining patents (resulting in no related asset being recognized in the Company's consolidated balance sheets) because the Company believes such costs and fees are immaterial (in the context of the Company's total costs/expenses) and have no direct relationship to the value of the Company's patents.

Stock-based compensation:

The Company follows the provisions of Accounting Standards Codification ("ASC") 718, which generally requires that share-based compensation transactions be accounted and recognized in the statement of operations based upon their grant date fair values.

Derivative Financial Instruments:

Pursuant to ASC Topic 815 "Derivatives and Hedging" ("Topic 815"), the Company reviews all financial instruments for the existence of features which may require fair value accounting and a related mark-to-market adjustment at each reporting period end. Once determined, the Company assesses these instruments as derivative liabilities. The fair value of these instruments is adjusted to reflect the fair value at each reporting period end, with any increase or decrease in the fair value being recorded in results of operations as an adjustment to fair value of derivatives.

Options:

The Company has issued options to employees and consultants under the 2006 Plan to purchase common shares of the Company. Options are valued on the grant date using the Black-Scholes option-pricing model. The expected volatility is based on the historical price volatility of the Company's common stock. The dividend yield represents the Company's anticipated cash dividend on common stock over the expected term of the stock options. The U.S. Treasury bill rate for the expected term of the stock options was utilized to determine the risk-free interest rate. The expected term of stock options represents the period of time the stock options granted are expected to be outstanding based upon management's estimates.

Warrants:

The Company has issued warrants to purchase common shares of the Company. Warrants are valued using a fair value based method, whereby the fair value of the warrant is determined at the warrant issue date using a market-based option valuation model based on factors including an evaluation of the Company's value as of the date of the issuance, consideration of the Company's limited liquid resources and business prospects, the market price of the Company's stock in its mostly inactive public market and the historical valuations and purchases of the Company's warrants. When warrants are issued in combination with debt or equity securities, the warrants are valued and accounted for based on the relative fair value of the warrants in relation to the total value assigned to the debt or equity securities and warrants combined.

Concentrations of credit risk:

The Company's financial instruments that are exposed to concentrations of credit risk consist of cash. The Company's cash is in demand deposit accounts placed with federally insured financial institutions and selected brokerage accounts. Such deposit accounts at times may exceed federally insured limits. The Company has not experienced any losses on such accounts.

Noncontrolling interests:

In accordance with ASC 810, "Consolidation", the Company separately classifies noncontrolling interests within the equity section of the consolidated balance sheets and separately reports the amounts attributable to controlling and noncontrolling interests in the consolidated statements of operations. In addition, the noncontrolling interest continues to be attributed its share of losses even if that attribution results in a deficit noncontrolling interest balance.

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 in the principal or most advantageous market. The Company uses a fair value hierarchy that has three levels of inputs, both observable and unobservable, with use of the lowest possible level of input to determine fair value.

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – observable inputs other than Level 1, quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, and model-derived prices whose inputs are observable or whose significant value drivers are observable; and

Level 3 - assets and liabilities whose significant value drivers are unobservable.

Observable inputs are based on market data obtained from independent sources, while unobservable inputs are based on the Company's market assumptions. Unobservable inputs require significant management judgment or estimation. In some cases, the inputs used to measure an asset or liability may fall into different levels of the fair value hierarchy. In those instances, the fair value measurement is required to be classified using the lowest level of input that is significant to the fair value measurement. Such determination requires significant management judgment.

The fair value of cash and accounts payable approximates their carrying amounts due to their short-term maturities. The fair value of the loan payable is indeterminable at this time due to the nature of the arrangement with a state agency and the fact that it is in default. The fair value of the redeemable preferred stock approximates its carrying value due to the dividends accrued on the preferred stock which are reflected as part of the redemption value. The fair value of the deferred compensation and convertible notes payable - affiliates are not practicable to estimate due to the related party nature of the underlying transactions.

Lease Accounting:

The Company accounts for leases under ASC 842, *Leases* ("ASC 842"). Accordingly, the Company will determine whether an arrangement contains a lease at the inception of the arrangement. If a lease is determined to exist, the term of such lease is assessed based on the date on which the underlying asset is made available for the Company's use by the lessor. The Company's assessment of the lease term reflects the non-cancelable term of the lease, inclusive of any rent-free periods and/or periods covered by early-termination options which the Company is reasonably certain of not exercising, as well as periods covered by renewal options which the Company is reasonably certain of exercising. The Company also determines lease classification as either operating or finance at lease commencement, which governs the pattern of expense recognition and the presentation reflected in the consolidated statements of operations over the lease term.

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For leases with a term exceeding 12 months, a lease liability is recorded on the Company's consolidated balance sheet at lease commencement reflecting the present value of its fixed minimum payment obligations over the lease term. A corresponding right-of-use ("ROU") asset equal to the initial lease liability is also recorded, adjusted for any prepaid rent and/or initial direct costs incurred in connection with execution of the lease and reduced by any lease incentives received. For purposes of measuring the present value of its fixed payment obligations for a given lease, the Company uses its incremental borrowing rate, determined based on information available at lease commencement, as rates implicit in its leasing arrangements are typically not readily determinable. The Company's incremental borrowing rate reflects the rate it would pay to borrow on a secured basis and incorporates the term and economic environment of the associated lease.

Revenue Recognition:

The Company currently does not generate revenue and if and when the Company begins to generate revenue the Company will comply with the provisions of ASC 606 "Revenue from Contracts with Customers".

Income (Loss) per share:

Basic income (loss) per share amounts are calculated using the weighted average number of shares of common stock outstanding during the period. Diluted income (loss) per share assumes the conversion, exercise or issuance of all potential common stock instruments, such as options or warrants, unless the effect is to reduce the income (loss) per share or increase the earnings per share. During the years ended June 30, 2023 and 2022, the basic and diluted income (loss) per share was the same, as the impact of potential dilutive common shares was anti-dilutive.

The following table represents the warrants and options (as if exercised) and convertible securities (as if converted) that have been excluded from the calculation of basic income (loss) per share:

| | June 30, 2023 | June 30, 2022 |
|------------------|------------------|------------------|
| Warrants | 22,543,765 | 20,778,635 |
| Options | 12,006,600 | 11,201,600 |
| Convertible debt | 9,922,769 | 10,686,065 |
| | | |

Convertible preferred stock

The following is a reconciliation of the denominators of the basic and diluted income (loss) per share computations for the years ended June 30, 2023 and 2022:

| | Year ended June 30, 2023 | Year ended June 30, 2022 |
|--|-----------------------------------|-----------------------------------|
| Shares issued – beginning of period | 43,758,820 | 41,315,986 |
| Shares held by subsidiaries (Note 7) | (704,309) | (704,309) |
| Shares outstanding – beginning of period | 43,054,511 | 40,611,677 |
| Weighted average shares issued | | |
| during the period | 1,983,968 | 1,350,625 |
| Diluted weighted average shares - | | |
| end of period | 45,038,479 | 41,962,302 |

In preparing the Company's consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recent Accounting Pronouncements:

The Company continually assesses any new accounting pronouncements to determine their applicability. When it is determined that a new accounting pronouncement affects the Company's financial reporting, the Company undertakes a study to determine the consequences of the change to its consolidated financial statements and assures that there are proper controls in place to ascertain that the Company's consolidated financial statements properly reflect the change.

3. PROPERTY AND EQUIPMENT:

Property and equipment consist of the following:

| | June 30, 2023 | June 30, 2022 |
|--|------------------|------------------|
| Computers and office equipment | 15,156 | 13,598 |
| Initial Project: construction in process | 6,847,760 | 2,892,222 |
| Property and equipment, gross | 6,862,916 | 2,905,820 |
| Less accumulated depreciation | (11,907) | (10,262) |
| Property and equipment, net | \$ 6,851,009 | \$ 2,895,558 |

The 3Gl project ("Initial Project") began in July of 2021, with a lease signed on land October 1, 2021 (Note 9). Once the lease commenced the Company moved into construction phase. The balance for the Initial Project construction in process includes \$211,984 for capitalized interest and \$135,648 in non-cash compensation as of June 30, 2023.

Management has reviewed the remaining property and equipment for impairment as of June 30, 2023 and believes that no impairment exists.

Depreciation expense was \$1,645 and \$1,161 for the years ended June 30, 2023 and 2022, respectively.

4. DEFERRED COMPENSATION:

The Company owes deferred compensation to various employees, former employees and consultants totaling \$864,781 and \$594,798 as of June 30, 2023 and 2022, respectively. Included in the deferred compensation balances as of June 30, 2023, are \$527,058 and \$20,167 owed Dominic Bassani ("Bassani"), the Company's Chief Operating Officer (who was Chief Executive Officer until through April 30, 2022), and Mark A. Smith ("Smith"), the Company's President, respectively, pursuant to extension agreements effective January 1, 2015, whereby unpaid compensation earned after January 1, 2015, accrues interest at 4% per annum and can be converted into shares of the Company's common stock at the election of the employee during the first five calendar days of any month. The conversion price shall be the average closing price of the Company's common stock for the last 10 trading days of the immediately preceding month. The deferred compensation owed Bassani and Smith as of June 30, 2022 was \$437,508 and \$10,000, respectively. The Company also owes various consultants and an employee, pursuant to various agreements, for deferred compensation of \$105,056 and \$74,790 as of June 30, 2023 and 2022, respectively, with similar conversion terms as those described above for Bassani and Smith, with the exception that the interest accrues at 0% to 3% per annum. The Company also owes a former employee \$72,500, which is not convertible and is non-interest bearing. Bassani and Smith have each been granted the right to convert up to \$300,000 of deferred compensation balances at a price of \$0.75 per share until June 30, 2024 into common shares (to be issued pursuant to the 2006 Plan). Smith also has the right to convert all or part of his deferred compensation balance into the Company's securities (to be issued pursuant to the 2006 Plan). Smith also has the right to convert all or part of private placement. Smith also received the right to transfer future deferred compensation to his 2020 Convertible Obligation at his election but such right is n

Bill O'Neill has a balance of \$140,000 and \$20,000 at June 30, 2023 and 2022, respectively. There is no interest or conversions on the deferred balance. During the year ended June 30, 2023, Smith elected to add \$90,000 of deferred compensation to his 2020 Convertible Note.

The Company recorded interest expense of \$19,983 (\$17,716 with related parties) and \$16,390 (\$15,537 with related parties) for the years ended June 30, 2023 and 2022, respectively.

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5. LOANS PAYABLE:

Pennvest Loan and Bion PA1 LLC ("PA1") Dissolution

PA1, the Company's wholly-owned subsidiary, was dissolved on December 29, 2021 on which date it owed approximately \$ 10,010,000 under the terms of the Pennvest Loan related to the construction of the Kreider 1 System including accrued interest and late charges totaling \$2,255,802 as of that date. Through the date of the dissolution, PA1 was a wholly-owned subsidiary of the Company and its assets and liabilities were included on the Company's consolidated balance sheet. At September 30, 2021, PA1's total assets were \$ 297 and its total liabilities were \$10,154,334 (including the Pennvest Loan in the aggregate amount of \$9,939,148, accounts payable of \$214,235 and accrued liabilities of \$950) which sums were included in the Company's consolidated balance sheet in its Form 10-Q for the quarter ended September 30, 2021. Subsequent to the dissolution of PA1, its assets and liabilities are no longer consolidated and included in the Company's balance sheet. As of December 29, 2021, PA1's total assets were \$ 10,234,501 (including the Pennvest Loan in the aggregate amount of \$10,009,802, accounts payable of \$212,263 and accrued liabilities of \$12,436). The net amount of \$10,234,501 was recognized as a gain on the legal dissolution of a subsidiary in other (income) expense.

As background, the terms of the Pennvest Loan provided for funding of up to \$7,754,000 which was to be repaid by interest-only payments for three years, followed by an additional ten-year amortization of principal. The Pennvest Loan accrued interest at 2.547% per annum for years 1 through 5 and 3.184% per annum for years 6 through maturity. The Pennvest Loan required minimum annual principal payments of approximately \$5,886,000 in fiscal years 2013 through 2021, and \$846,000 in fiscal year 2022, \$873,000 in fiscal year 2023 and \$149,000 in fiscal year 2024. The Pennvest Loan was collateralized by PA1's Kreider 1 System and by a pledge of all revenues generated from Kreider 1 including, but not limited to, revenues generated from nutrient reduction credit sales and by-product sales. In addition, in consideration for the excess credit risk associated with the project, Pennvest was entitled to participate in the profits from Kreider 1 calculated on a net cash flow basis, as defined. The Company has incurred interest expense related to the Pennvest Loan of \$123,444 and \$246,887 for the years ended June 30, 2022 and 2021, respectively. Based on the limited development of the depth and breadth of the Pennvest Loan during reduction credit market, PA1 commenced discussions and negotiations with Pennvest related to forbearance and/or re-structuring the obligations under the Pennvest Loan during 2013. In the context of such negotiations, PA1 elected not to make interest payments to Pennvest Loan as a current liability through the dissolution of PA1 on December 29, 2021.

During August 2012, the Company provided Pennvest (and the PADEP) with data demonstrating that the Kreider 1 system met the 'technology guaranty' standards which were incorporated in the Pennvest financing documents and, as a result, the Pennvest Loan has been solely an obligation of PA1 since that date. Note, however, the Company's consolidated balance sheet as of June 30, 2021 reflects the Pennvest Loan as a liability of \$9,868,495 despite the fact that the obligation (if any) was solely an obligation of PA1.

On September 25, 2014, the Pennsylvania Infrastructure Investment Authority ("Pennvest") exercised its right to declare the PA1's Pennvest Loan in default, accelerated the Pennvest Loan and demanded that PA1 pay \$8,137,117 (principal, interest plus late charges) on or before October 24, 2014. PA1 did not make the payment and did/does not have the resources to make the payments demanded by Pennvest. PA1 commenced discussions and negotiations with Pennvest concerning this matter but Pennvest rejected PA1's proposal made during the fall of 2014. PA1 made a final proposal to Pennvest during September 2021 which proposal was also rejected by Pennvest. PA1 provided Pennvest with its financial statements (which include a description of system status) annually. During the 2021 fiscal year, Pennvest's auditors requested a 'corrective action plan' and PA1 informed Pennvest that "... there is no viable corrective action plan for the Pennvest Loan ('Loan'). The facility funded by the Loan has been shut down for many years (which has been disclosed in the annual financial reports to Pennvest and in public filings by the parent of Bion PA 1, LLC) and the technology utilized in the facility is now obsolete. The facility has not been commercially operated for approximately six years and has generated zero income. We recommend that Pennvest take appropriate steps to remove and sell the equipment." Pennvest responded favorably to the approach of selling the equipment.

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On December 29, 2021, the Company approved and executed a 'Consent of the Sole Member of Bion PA 1' (the "Consent to Dissolution") that authorized the complete liquidation and dissolution of PA1. A Statement of Dissolution was filed by PA1 with the Colorado Secretary of State on December 29, 2021. The liquidation value of Bion PA 1's property is substantially below the current amount outstanding under the Funding Agreement dated October 27, 2010 by and between PA1 and Pennvest, the only known secured creditor of PA1. Post-dissolution, PA1's activities will be limited entirely to activities required to properly distribute its net assets to creditors and wind down its business.

PA1 and Pennvest agreed to have the equipment sold by a third party auctioneer who arranged for the sale of its property and delivery of all proceeds (net of commissions and customary costs of sale) to Pennvest. The auction took place during the period of May 13-18, 2022. The Company's personnel assisted PA1 with this process as needed at no cost to PA1. The net sum of \$104,725 was realized from the asset sale, which sum was delivered to Pennvest on June 15, 2022. Pursuant to agreement with Pennvest and Kreider Farms, the remaining unsold assets have been transferred to Kreider Farms in order to complete the winding up of the Kreider 1 project.

Upon the complete distribution of all assets of PA1, whether by transfer or sale and distribution of net proceeds as provided above, PA1 will use commercially reasonable efforts to cause the cessation of all activities. No distributions of PA1's assets will be made to the Company or its affiliates. The Consent to Dissolution authorized Mark A. Smith, the Company's President and the sole manager of PA1, to cause to be delivered for filing the Statement of Dissolution, to give notice of the dissolution, and to take any other act necessary to wind up and liquidate the business.

PA1 has made no payments to vendors or other creditors in connection with the dissolution other than the payment to Pennvest described above. No distributions or payments of any kind have ever been made to the Company, the sole member of PA1 since inception and no payment will be made to the Company or any affiliate in connection with the dissolution.

For more information regarding the history and background of the Pennvest Loan and PA1, please review our Form's 10-K for the years from 2008 through 2021 including the Notes to the Financial Statements included therein.

6. CONVERTIBLE NOTES PAYABLE - AFFILIATES:

Adjusted 2020 Convertible Obligations and Adjusted September 2015 Convertible Notes

Effective February 1, 2023, three (3) directors/officers of the Company agreed to adjust the provisions of long term convertible obligations (including most of the 2020 Convertible Obligations and September 2015 Convertible Notes --- see below) owed to them by the Company in a manner which reduced the indebtedness of the Company by 80% (approximately \$3.47 million, in aggregate -See Note 7 below, 'Debt Modification to Additional Paid in Capital') while equitably maintaining existing conversion rights. The debt modification was treated as an equity transaction because the modifications were with affiliates that are related parties.

Mark A. Smith (the Company's President)("Smith"), Dominic Bassani (the Company's Chief Operating Officer)("Bassani") and Ed Schafer (Director)("Schafer"), adjusted/reduced the principal owed to them by \$1,109,649, \$1,939,670 and \$424,873, respectively. Subsequent to the adjustment, the adjusted portion of the 2020 Convertible Obligations and the adjusted portion of the September 2015 Convertible Notes were renamed Adjusted September 2015 Convertible Obligations of Smith, Bassani and Schafer are convertible into Units (consisting of 1 share and from one half (1/2) to one (1) warrant) at prices of \$.0946, \$.0953, and \$.0953, respectively, and the Adjusted September 2015 Convertible Notes may be converted at the sole election of the noteholders into restricted common shares of the Company at a conversion price of \$0.115 per share. The adjusted 2020 Convertible Obligations and Adjusted 2020 Convertible of \$0.115 per share. The Adjusted 2020 Convertible Obligations and Adjusted 2020 Convertible Notes and Adjusted September 2015 Convertible Obligations and Adjusted 2020 Convertible Notes of \$0.0946, \$.0953, respectively, and the Adjusted September 2015 Convertible Notes may be converted at the sole election of the noteholders into restricted common shares of the Company at a conversion price of \$0.115 per share. The adjusted 2020 Convertible Obligations and Adjusted September 2015 Convertible Notes do not accrue any interest until their maturity date (July 1, 2024). After the adjustment, the Company owed Smith, Bassani (and trust) and Schafer \$262,154, \$434,016 and \$96,364, respectively, of Adjusted 2020 Convertible Obligations and \$4,012 of Adjusted September 2015 Convertible Notes.

During the year ended June 30, 2023, Smith elected to convert \$136,462, in aggregate, of his Adjusted 2020 Convertible Obligation into 1,442,514 units at \$0.0946 per unit, with each unit consisting of one share of the Company's restricted common stock and one warrant to purchase one share of the Company's restricted common stock for \$0.75 per share until March 2026. In more detail, effective: a) March 8, 2023, Smith converted \$70,000 of his Adjusted 2020 Convertible Obligation into 739,958 Units (each Unit consisting one share and one warrant); b) March 31, 2023, Smith converted \$29,888 of his Adjusted Convertible Obligation into 315,948 Units (each Unit consisting one share of common stock and one warrant); and c) June 4, 2023, Smith converted \$36,573 of his Adjusted Convertible Obligation into 386,608 Units (each Unit consisting one share of common stock and one warrant). Smith donated to charitable organizations and/or gifted to family members and others a large portion of these securities (700,000 common shares and 370,948 warrants, in aggregate) while retaining direct ownership of 292,514 common shares and 116,566 warrants and indirect ownership of 450,000 common shares and 370,948 warrants (owned by his wife). The warrants are exercisable for three years from conversion dates. Subsequent to June 30, 2023, Smith converted additional portions of his Adjusted Convertible Obligation. See Note 12.

As of June 30 2023, the Adjusted 2020 Convertible Obligation balances, including accrued interest, owed Bassani (and his donees), Smith and Edward Schafer were \$441,446, \$130,180 and \$98,014, respectively.

As of June 30, 2023 the Adjusted September 2015 Convertible Notes balances, including accrued interest, owed Bassani Family Trusts and Schafer were \$24,645 and \$4,081, respectively.

2020 Convertible Obligations

The 2020 Convertible Obligations (which combined/replaced prior convertible instruments dating to 2017 (or earlier), which accrue interest at either 4% per annum or 4%

compounded quarterly and effective January 1, 2020 are due and payable on July 1, 2024. The 2020 Convertible Obligations (including accrued interest, plus all future deferred compensation added subsequently), are convertible, at the sole election of the holder, into Units consisting of one share of the Company's common stock and one half to one warrant to purchase a share of the Company's common stock, at a price of \$0.50 per Unit until July 1, 2024. The original conversion price of \$0.50 per Unit approximated the fair value of the Units at the date of the agreements; therefore, no beneficial conversion feature exists. Management evaluated the terms and conditions of the embedded derivative instrument (such as a conversion option embedded in the deferred compensation) must be bifurcated from its host instruments and accounted for separately as a derivative instrument only if the "risks and rewards" of the embedded conversion feature of the deferred compensation was not required to be bifurcated because the conversion feature is clearly and closely related to the host instrument, and because of the Company's limited trading volume that indicates the feature is not readily convertible to cash in accordance with ASC 815-10, "Derivatives and Hedging". Effective February 1, 2023, a large portion of the 2020 Convertible Obligations were adjusted as set forth herein.

As of June 30, 2023, the remaining unadjusted portion of the 2020 Convertible Obligation balances, including accrued interest, owed Bassani Family Trusts (and his donees) and Smith, were \$361,321 and \$36,432, respectively. As of June 30, 2022, the 2020 Convertible Obligation balances, including accrued interest, owed Bassani Family Trusts, Smith and Schafer were \$2,597,329, \$1,328,040 and \$499,274, respectively.

During the year ended June 30, 2023 (on dates prior to the adjustment on February 1, 2023), Smith elected to add \$90,000 of his accrued unpaid compensation/un-reimbursed expenses to his 2020 Convertible Obligations.

During the year ended June 30, 2023 (on dates prior to the adjustment on February 1, 2023), Smith elected to convert \$30,000 in principal of the 2020 Convertible Obligation to 60,000 units (60,000 common shares and 60,000 warrants), and \$20,000 of accrued interest of the 2020 Convertible Obligation to 40,000 units (40,000 common shares and 40,000 warrants). The warrants are exercisable for three years from conversion date.

During the year ended June 30, 2023 (on dates after the adjustment on February 1, 2023), Smith elected to convert \$136,462 in principal of the Adjusted 2020 Convertible Obligation to 1,442,514 units (1,442,514 common shares and 1,442,514 warrants). The warrants are exercisable for three years from conversion dates.

The Company recorded interest expense of \$102,478 and \$131,718 for the year ended June 30, 2023 and 2022, respectively. The Company capitalized \$179,981 and \$32,000 related to the Initial Project for the year ended June 30, 2023 and 2022, respectively.

Effective February 1, 2023, three (3) directors/officers of the Company agreed to adjust the provisions of long-term convertible obligations (including most of the 2020 Convertible Obligations and September 2015 Convertible Notes) owed to them by the Company in a manner which reduced the indebtedness of the Company by 80% (approximately \$3.47 million, in aggregate) while equitably maintaining existing conversion rights. Because the modifications where with affiliates that are related parties, the debt modification was treated as an equity transaction. The Company recorded a deemed dividend for the reductions.

Mark A. Smith (the Company's President)("Smith"), Dominic Bassani (the Company's Chief Operating Officer)("Bassani") and Ed Schafer (Director)("Schafer"), adjusted/reduced the principal owed to them by \$1,109,649, \$1,939,670 and \$424,873, respectively. Subsequent to the adjustment, the adjusted portion of the 2020 Convertible Obligations were renamed Adjusted 2020 Convertible Obligations (see above and Note 7.). The debt modification was treated as an equity transaction because the modifications were with affiliates that are related parties.

September 2015 Convertible Notes

During the year ended June 30, 2016, the Company entered into September 2015 Convertible Notes with Bassani, Schafer and a Shareholder which replaced previously issued promissory notes. The September 2015 Convertible Notes bear interest at 4% per annum, have maturity dates of July 1, 2024, and may be converted at the sole election of the noteholders into restricted common shares of the Company at a conversion price of \$0.60 per share. As the conversion price of \$0.60 approximated the fair value of the common shares at the date of the September 2015 Convertible Notes, no beneficial conversion feature exists.

The balances of the September 2015 Convertible Notes as of June 30, 2023, including accrued interest owed Bassani, Schafer and Shareholder, are \$183,628, \$4,081 and \$460,873, respectively. The balances of the September 2015 Convertible Notes as of June 30, 2022, including accrued interest, were \$279,366, \$20,845 and \$445,756, respectively.

The Company recorded interest expense of \$23,318 and \$23,796 for the year ended June 30, 2023 and 2022, respectively.

Effective February 1, 2023, three (3) directors/officers of the Company agreed to adjust the provisions of long term convertible obligations (including the September 2015 Convertible Notes owned by Bassani and Schafer) owed to them by the Company in a manner which reduced the indebtedness of the Company by 80% (approximately \$3.52 million, in aggregate) while equitably maintaining existing conversion rights. Mark A. Smith (the Company's President), Dominic Bassani (the Company's Chief Operating Officer) (and a family Trust) and Ed Schafer (Director), adjusted/reduced the principal owed to them by \$1,109,649, \$1,939,670 and \$424,873, respectively. Subsequent to the adjustment, the adjusted portion of the were renamed Adjusted September 2015 Convertible Notes. The Adjusted September 2015 Convertible Notes may be converted at the sole election of the noteholders into restricted common shares of the Company at a conversion price of \$0.115 per share. As of June 30, 2023 the Adjusted September 2015 Convertible Notes balances, including accrued interest, owed Bassani Family Trusts and Schafer were \$24,645 and \$4,081, respectively. The debt modification was treated as an equity transaction because the modifications were with affiliates that are related parties. See above.

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7. STOCKHOLDERS' EQUITY:

Debt Modification to Additional paid in capital

Effective February 1, 2023, three (3) directors/officers of the Company agreed to adjust the provisions of long term convertible obligations (including most of the 2020 Convertible Obligations and September 2015 Convertible Notes --- see below) owed to them by the Company in a manner which reduced the indebtedness of the Company by 80% (approximately \$3.47 million, in aggregate) while equitably maintaining existing conversion rights. Because the modifications where with affiliates that are related parties, the debt modification was treated as an equity transaction. The Company recorded a deemed dividend for the reductions.

Mark A. Smith (the Company's President)("Smith"), Dominic Bassani (the Company's Chief Operating Officer)("Bassani") and Ed Schafer (Director)("Schafer"), adjusted/reduced the principal owed to them by \$1,109,649, \$1,939,670 and \$424,873, respectively. Subsequent to the adjustment, the adjusted portion of the 2020 Convertible Obligations and the adjusted portion of the September 2015 Convertible Notes were renamed Adjusted September 2015 Convertible Obligations of Smith, Bassani and Schafer are convertible into Units at prices of \$.0946, \$0953, and \$.0953, respectively, and the Adjusted September 2015 Convertible Notes may be converted at the sole election of the noteholders into restricted common shares of the Company at a conversion price of \$0.115 per share. The adjusted conversion prices slightly reduce the securities to be issued on conversion of each instrument from the amount receivable under the unadjusted instruments. The

Adjusted 2020 Convertible Obligations and Adjusted September 2015 Convertible Notes do not accrue any interest until their maturity date (July 1, 2024). After the adjustment, the Company owed Smith, Bassani (and trust) and Schafer \$262,154, \$434,016 and \$96,364, respectively, of Adjusted 2020 Convertible Obligations and Bassani and Schafer, respectively, \$24,230 and \$4,012 of Adjusted September 2015 Convertible Notes. The debt modification was treated as an equity transaction because the modifications were with affiliates that are related parties.

The Adjusted 2020 Convertible Obligations and Adjusted September 2015 Convertible Notes do not accrue any interest until their maturity date (July 1, 2024). The Company treated this as an equity transaction and recorded the reduction of debt through additional paid in capital at the net present value of the modified debt agreements. This resulted in an increase to Additional Paid in Capital of \$3,522,000 at the modification date and a reduction of additional paid in capital of \$14,051 for the year ended June 30, 2023 for the adjustment to the net present value of the modified debt agreements.

Series B Preferred stock:

Since July 1, 2014, the Company had 200 shares of Series B redeemable convertible Preferred stock outstanding with a par value of \$0.01 per share, convertible at the option of the holder at \$2.00 per share, with dividends accrued and payable at 2.5% per quarter. The Series B Preferred stock is mandatorily redeemable at \$100 per share by the Company three years after issuance and accordingly was classified as a liability. The 200 shares had reached their redemption date and the Company approved the redemption of the Series B preferred stock during the year ended June 30, 2022. The 200 shares of Series B redeemable convertible Preferred stock were redeemed for \$41,000, which included the \$21,000 in accrued dividend payable.

During the years ended June 30, 2023, and 2022, the Company declared dividends of nil and \$1,000 respectively. The dividends are classified as a component of operations as the Series B Preferred stock is presented as a liability in these financial statements. There is no liability at June 30, 2023.

Common stock:

Holders of common stock are entitled to one vote per share on all matters to be voted on by common stockholders. In the event of liquidation, dissolution or winding up of the Company, the holders of common stock are entitled to share in all assets remaining after liabilities have been paid in full or set aside and the rights of any outstanding preferred stock have been satisfied. Common stock has no preemptive, redemption or conversion rights. The rights of holders of common stock are subject to, and may be adversely affected by, the rights of the holders of any outstanding series of preferred stock or any series of preferred stock the Company may designate in the future.

Centerpoint holds 704,309 shares of the Company's common stock. These shares of the Company's common stock held by Centerpoint are for the benefit of its shareholders without any beneficial interest.

During the year ended June 30, 2023, the Company entered into a subscription agreement to sell 2,000,000 shares of restricted and legended common stock of which 1,800,000 shares were purchased on January 10, 2023 and the other 200,000 shares were purchased on December 31, 2022 for total proceeds during the year ended June 30, 2023 \$2,000,000.

During the year ended June 30, 2023, the Company entered into subscription agreements to sell 975,000 units at a price of \$1.60, with each unit consisting of one share of the Company's restricted common stock and one half warrant to purchase one share of the Company's restricted common stock for \$2.40 per share with an expiry date of June 30, 2024, and pursuant thereto, the Company issued 975,000 units for total proceeds of \$1,560,000, in aggregate. The Company paid commissions of \$86,400 on the sale of units.

During the year ended June 30, 2023, 175,114 warrants were exercised to purchase 175,114 shares of the Company's common stock at \$0.75 per share for total proceeds of \$131,335.

During the year ended June 30, 2023, the Company entered into subscription agreements to sell units for \$1.00 per unit, with each unit consisting of one share of the Company's restricted common stock and one warrant to purchase one share of the Company's restricted common stock for \$0.75 per share with an expiry date of December 31, 2024, and pursuant thereto, the Company issued 346,230 units for total proceeds of \$346,230.

During the year ended June 30, 2023, the Company issued 50,000 shares of the Company's common stock to a consultant for services. The shares were issued at \$1.60 per share for a total value of \$80,000.

During the year ended June 30, 2023, the Company issued 32,259 shares of the Company's common stock to a consultant for services. The shares were issued at \$1.55 per share for a total value of \$50,000.

During the year ended June 30, 2023, Smith elected to convert \$30,000 in principal and \$20,000 in accrued interest from the 2020 Convertible Obligation to 100,000 units at \$.50 per unit, with each unit consisting of one share of the Company's restricted common stock and one warrant to purchase one share of the Company's restricted common stock for \$0.75 per share until December 31, 2024.

During the year ended June 30, 2023, Smith elected to convert \$136,462 in principal of his Adjusted 2020 Convertible Obligation into 1,442,514 units at \$0.0946 per unit, with each unit consisting of one share of the Company's restricted common stock and one warrant to purchase one share of the Company's restricted common stock for \$0.75 per share until March 2026. See above and Note 6 for more detail.

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Warrants:

As of June 30, 2023, the Company had approximately 22.5 million warrants outstanding, with exercise prices from \$0.60 to \$2.40 and expiring on various dates through November 9, 2026.

The weighted-average exercise price for the outstanding warrants is \$0.80, and the weighted-average remaining contractual life as of March 31, 2023 is 1.6 years.

During the year ended June 30, 2023, Smith elected to convert \$30,000 in principal and \$20,000 in accrued interest from the 2020 Convertible Obligation to 100,000 units at \$.50 per unit, with each unit consisting of one share of the Company's restricted common stock and one warrant to purchase one share of the Company's restricted common stock for \$0.75 per share until three years after the date of conversion.

During the year ended June 30, 2023, Smith elected to convert \$136,462, in aggregate, of his Adjusted 2020 Convertible Obligation into 1,442,514 units at \$0.0946 per unit, with each unit consisting of one share of the Company's restricted common stock and one warrant to purchase one share of the Company's restricted common stock for \$0.75 per share until March 2026. In more detail: a) effective March 8, 2023, Smith converted \$70,000 of his Adjusted 2020 Convertible Obligation into 739,958 Units (each Unit consisting one share and one warrant); b) effective March 31, 2023, Smith converted \$29,888 of his Adjusted Convertible Obligation into 315,948 Units (each Unit consisting one share of common stock and one warrant); and c) effective June 4, 2023, Smith converted \$36,573 of his Adjusted Convertible Obligation into 386,608 Units (each Unit consisting one share of common stock and one warrant); and c) effective June 4, 2023, Smith converted \$36,573 of his Adjusted Convertible Obligation into 386,608 Units (each Unit consisting one share of common stock and one warrant); and c) effective June 4, 2023, Smith converted \$36,573 of his Adjusted Convertible Obligation into 386,608 Units (each Unit consisting one share of common stock and one warrant); and c) effective June 4, 2023, Smith converted \$36,573 of his Adjusted Convertible Obligation into 386,608 Units (each Unit consisting one share of common stock and one warrant); and c) effective June 4, 2023, Smith converted \$36,573 of his Adjusted Convertible Obligation into 386,608 Units (each Unit consisting one share of common stock and one warrant); and c) effective June 4, 2023, Smith converted \$36,573 of his Adjusted Convertible Obligation into 386,608 Units (each Unit consisting one share of common stock and one warrant); and c) effective June 4, 2023, Smith converted \$36,573 of his Adjusted Convertible Obligation into 386,608 Units (each Unit consisting one share of common stock and one warrant); and c) effective June 4, 2023, Smith converted \$36,573 of his Adju

and one warrant). Smith donated to charitable organizations and/or gifted to family members and others a large portion of these securities (700,000 common shares and 955,000 warrants, in aggregate) while retaining direct ownership of 292,514 common shares and 116,566 warrants and indirect ownership of 450,000 common shares and 370,948 warrants (owned by his wife). The warrants are exercisable for three years from conversion dates. Subsequent to June 30, 2023, Smith converted additional portions of his Adjusted Convertible Obligation. See Note 12.

During the twelve months ended June 30, 2023, the Company approved the issuance of 210,000 warrants, in aggregate, to three new members of its Advisory Group for advisory and/or consulting services of \$21,000, in aggregate. The warrants are exercisable at \$1.50 to \$1.60 and expire in August 2025.

During the twelve months ended June 30, 2023, the Company approved the modification of existing warrants held by one former consultant and investors, which extended certain expiration dates. The modifications resulted in incremental non-cash compensation of \$154,932 and interest expenses of \$72,589.

During the twelve months ended June 30, 2023, 175,114 warrants were exercised to purchase 175,114 shares of the Company's common stock at \$0.75 per share for total proceeds of \$131,335.

Effective May 1, 2022, an entity affiliated with William O'Neill ("O'Neill") was issued 1,000,000 Incentive Warrants exercisable at \$1.00 per share until April 30, 2026 of which up to 700,000 Incentive Warrants may be cancelled if O'Neill is not renewed at 13 months and/or fails to serve the entire contract term thereafter. These warrants each have a 75% exercise price adjustment provision if the terms set forth therein are met. 700,000 of the warrants are vesting through May 1, 2023 and 2024. The vesting resulted in non-cash compensation of \$41,653 during the year ended June 30, 2023.

Stock options:

On April 7, 2022 the Company's shareholders approved the Bion Environmental Technologies, Inc. 2021 Equity Incentive Award Plan (the "Equity Plan"). The Equity Plan provides for the issuance of options (and/or other securities) to purchase up to 30,000,000 shares of the Company's common stock. The Equity Plan was adopted and ratified by Board of Directors on April 8, 2022. Terms of exercise and expiration of options/securities granted under the Equity Plan may be established at the discretion of the Board of Directors, but no option may be exercisable for more than ten years. No grants have been made pursuant to the Equity Plan as of the date of this report.

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The Company's 2006 Consolidated Incentive Plan, as amended during the year ended June 30, 2021 (the "2006 Plan"), provides for the issuance of options (and/or other securities) to purchase up to 36,000,000 shares of the Company's common stock. Terms of exercise and expiration of options/securities granted under the 2006 Plan may be established at the discretion of the Board of Directors, but no option may be exercisable for more than ten years. The 2006 Plan will be maintained to service grants already made thereunder (together with new grants, if any, to employees and consultants who already has received grants pursuant to its terms,

On March 15, 2023, the Company granted 30,000 options under the 2006 Plan to two consultants. The options vest equally in thirds on March 20, 2023, June 20, 2023 and September 30, 2023.

On February 7, 2023, the Company granted an aggregate of 275,000 options under the 2006 Plan to five employees/consultants/directors including: i) 25,000 options to Jon Northrop for service as director, ii) 100,000 to two consultants and iii) 150,000 to employees.

On May 9, 2023, the Company granted 500,000 options under the 2006 Plan to Bill O'Neill. 250,000 of these options vest on June 1, 2024 and 250,000 options vest on June 1, 2025; all options expire on June 30, 2026.

The Company recorded compensation expense related to employee stock options of \$249,744 and \$419,370 for the years ended June 30, 2023 and 2022, respectively. The Company granted 805,000 and 730,000 options for the year ended June 30, 2023 and 2022, respectively.

The fair value of the options granted during the years ended June 30, 2023 and 2022 were estimated on the grant date using the Black-Scholes option-pricing model with the following assumptions:

| | Weighted Average, June 30, 2023 | Range, June 30, 2023 | Weighted Average, June 30, 2022 | Range, June 30, 2022 |
|-------------------------|--|----------------------------|--|----------------------------|
| Volatility | 65% | 64% -66% | 65% | 65%-69% |
| Dividend yield | _ | | _ | _ |
| Risk-free interest rate | 3.83% | 3.67% - 4.11 | 2.99% | 1.71%-3.01 |
| Expected term (years) | 3.44 | 2.84 to 3.95% | 3.71 | 3.04 to 3.72% |

The expected volatility was based on the historical price volatility of the Company's common stock. The dividend yield represents the Company's anticipated cash dividend on common stock over the expected term of the stock options. The U.S. Treasury bill rate for the expected term of the stock options was utilized to determine the risk-free interest rate. The expected term of stock options represents the period of time the stock options granted are expected to be outstanding based upon management's estimates.

A summary of option activity under the 2006 Plan for year ended June 30, 2023 is as follows:

| | Options | Weighted- Average Exercise Price | Weighted- Average Remaining Contractual Life | Aggregate Intrinsic Value |
|------------------------------|------------|---|--|---------------------------------|
| Outstanding at July 1, 2022 | 11,201,600 | \$ 0.80 | 2.7 | \$ 4,429,263 |
| Granted | 805,000 | _ | | |
| Exercised | _ | _ | | |
| Forfeited | — | — | | |
| Expired | _ | _ | | |
| Outstanding at June 30, 2023 | 12,006,600 | \$ 0.85 | 1.83 | \$ 5,085,659 |

The total fair value of stock options that vested during both the year ended June 30, 2023 and 2022 was \$249,744 and \$419,370, respectively. As of June 30, 2023, the Company had no unrecognized compensation cost related to stock options.

8. SUBSCRIPTION RECEIVABLE - AFFILIATES:

As of June 30, 2023, the Company has three interest bearing, secured promissory notes with an aggregate principal amount of \$428,250 (\$517,553, including interest) from Bassani

which were received as consideration for purchases of warrants to purchase 5,565,000 shares, in aggregate, of the Company's restricted common stock, which warrants have an exercise price of \$0.75 (with a 75% exercise price adjustment provision) and have expiry dates ranging from December 31, 2024 to December 31, 2025 (subject to extension rights) secured by portions of Bassani Family Trust's 2020 Convertible Obligation and Bassani Family Trust's September 2015 Convertible Notes. The secured promissory notes are payable July 1, 2024.

As of June 30, 2023, the Company has an interest bearing, secured promissory note for \$30,000 (\$35,884 including interest) from Smith as consideration to purchase warrants to purchase 300,000 shares of the Company's restricted common stock, which warrants are exercisable at \$0.60(with a 75% exercise price adjustment provision) and have expiry dates of December 31, 2024 (subject to extension rights) The promissory note bears interest at 4% per annum, and is secured by \$30,000 (\$35,885 including interest) of Smith's 2020 Convertible Obligations. The secured promissory note is payable on July 1, 2024.

As of June 30, 2023 the Company has two interest bearing, secured promissory notes with an aggregate principal amount of \$46,400 (\$56,860 including interest) from two employee/consultants as consideration to acquire warrants to purchase 928,000 shares of the Company's restricted common stock, which warrants are exercisable at \$0.75 (with a 90% exercise price adjustment provision) and have expiry dates of December 31, 2024. (The promissory notes bear interest at 4% per annum, are secured by a perfected security interest in the warrants, and are payable on July 1, 2024.

These secured promissory notes are recorded as "Subscription receivable-affiliates" on the Company's balance sheet pending payment.

9. COMMITMENTS AND CONTINGENCIES:

Employment and consulting agreements:

Smith has held the positions of Director, Executive Chairman, President and General Counsel of Company and its subsidiaries under various agreements (and extensions) and terms since March 2003. On October 10, 2016, the Company approved a month-to-month contract extension with Smith which included provisions for i) a monthly salary of \$18,000 (deferred until the Board of Directors re-instated cash payments to all employees and consultants who are deferring compensation), ii) the right to convert up to \$300,000 of his deferred compensation, at his sole election, at \$0.75 per share, until December 31, 2024, and iii) the right to convert his deferred compensation in whole or in part, at his sole election, at any time in any amount at "market" or into securities sold in the Company's current/most recent private offering at the price of such offering to third parties. Smith agreed effective July 29, 2018 to continue to serve the Company under the same basic terms on a month-to-month basis. On May 1, 2022 Smith's compensation was increased to \$25,000 per month of which \$5,000 per month is deferred. Currently Smith is deferring all but \$5000 of his monthly compensation to help the Company conserve cash. For the years ended June 30, 2023 and 2022, Smith was paid \$200,000 and \$130,000, respectively, of cash compensation.

Since March 31, 2005, the Company has had various agreements with Bassani (and/or Brightcap which provided his services during some of the years), now the Company's Chief Operating Officer ('COO') and formerly the Company's Chief Executive Officer ('CEO')(any reference to Brightcap or Bassani for all purposes are referring to the same individual). The Board appointed Bassani as the Company's CEO effective May 13, 2011. On February 10, 2015, the Company executed an Extension Agreement with Bassani pursuant to which Bassani extended the term of his service to the Company to December 31, 2017 (with the Company having an option to extend the term an additional six months.) Pursuant to the Extension Agreement, Bassani continued to defer his cash compensation (\$31,000 per month) until the Board of Directors re-instated cash payments to all employees and to consultants who were deferring their compensation. During October 2016 Bassani was granted the right to convert up to \$125,000 of his deferred compensation, at his sole election, at \$0.75 per share, until March 15, 2018 (which was expanded on April 27, 2017 to the right to convert up to \$300,000 of his deferred compensation, at his sole election, at \$0.75 per share, until June 30, 2024 (including extensions). During February 2018, the Company agreed to the material terms for a binding two-year extension agreement for Bassani's services as CEO. Bassani's salary remained \$31,000 per month, which will continue to be accrued in part during periods when the Board determines there is not adequate cash available. Additionally, the Company agreed to pay or accrue \$2,000 per month to be applied to life insurance premiums (which sums have been accrued as liabilities). On August 1, 2018, in the context of extending his agreement to provide services to the Company on a full-time basis through December 31, 2022) plus 2 years after that on a part-time basis, the Company received an interest bearing secured promissory note for \$300,000 from Bassani as consideration to purchase 3,

William O'Neill ("O'Neill") was hired as the Company's Chief Executive Officer ("CEO") effective May 1, 2022. O'Neill had previously been working with the Company as a consultant and had been employed by the Company as its CEO during 2010-2011. Bassani, CEO of the Company since 2011, assumed the position of COO while retaining existing operational management responsibilities and working with O'Neill on 'commercialization' of the Company's technology and work related to JVs (and other transactions) based on the Company's Gen3 Technology and related matters. Bassani's compensation arrangements with the Company have not been altered in the context of the change of positions. The Company and O'Neill entered into a thirty-seven (37) month employment agreement with compensation of \$25,000 cash and \$10,000 deferred compensation per month. The cash payment is paid \$12,500 to O'Neill and \$12,500 to an entity affiliated with O'Neill. An entity affiliated with O'Neill was issued 1,000,000 Incentive Warrants exercisable at \$1.00 per share (a 75% exercise price adjustment provision if the terms set forth therein are met) until April 30, 2026 of which up to 700,000 Incentive Warrants may be cancelled if O'Neill is not renewed at 13 months and/or fails to serve the entire contract term thereafter. Currently O'Neill was paid \$150,000 and \$25,000, respectively, of cash compensation.

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Exercise Price Adjustments/Extension Rights:

As part of agreements the Company entered into with Bassani and Smith effective May 15, 2013, they were each granted the following: a) a 50% execution/exercise price adjustment provision (exercise bonus in the context of options) which shall be applied upon the effective date of the notice of intent to exercise (for options and warrants) or issuance event, as applicable, of any currently outstanding and/or subsequently acquired options, warrants and/or contingent stock bonuses owned by each (and/or their donees) as follows: i) in the case of exercise by payment of cash, the bonus shall take the form of reduction of the exercise price; ii) in the case of cashless exercise, the adjustment shall be applied to reduce the exercise price prior to the cashless exercise calculations; and iii) with regard to contingent stock adjustments, issuance shall be triggered upon the Company's common stock reaching a closing price equal to 50% of currently specified price; and b) the right to extend the exercise period of all or part of the applicable options and warrants for up to five years (one year at a time) by annual payments of \$.05 per option or warrant to the Company on or before a date during the three months prior to expiration of the exercise period. Effective January 1, 2016 such annual payments to extend warrant exercise periods were reduced to \$.01 per option or warrant. These exercise adjustments were subsequently increased to 75%.

During the year ended June 30, 2021, the Company added a 75% exercise price adjustment to the terms of 3,000,000 warrants held by a trust owned by Bassani.

As of June 30, 2023, exercise price adjustment provisions ranging from 50-90% were applicable to 11,771,600 of the Company's outstanding options and 18,438,339 of the Company's outstanding warrants.

Effective May 1, 2022, an entity affiliated with O'Neill was issued 1,000,000 Incentive Warrants exercisable at \$1.00 per share until April 30, 2026 of which up to 700,000 Incentive Warrants were cancellable if O'Neill was not renewed at 13 months (renewal has happened) and/or fails to serve the entire contract term thereafter. These warrants each have a 75%

Initial Project:

On January 28, 2022 Bion Environmental Technologies, Inc. ('Bion'), on behalf of Bion 3GI LLC ('3GI'), a wholly-owned subsidiary, entered into a Purchase Order Agreement with Buflovak and Hebeler Process Solutions (collectively 'Buflovak') in the amount of \$2,665,500 (and made the initial 25% payment (\$666,375) for the core of the 'Bion System' portion (without the crystallization modules which will be ordered and fabricated pursuant to subsequent agreements) of the previously announced 3G Tech Initial Project. This Purchase Order encompasses the core of Bion's 3G Technology. The Company received progress billing in March 2022 and June 2022 for the second and third 25% installments, both of which have been paid as of the filing date. On January 17, 2023 the Company received an invoice from Buflovak for \$533,100 which was paid on March 1, 2023 and on April 24, 2023 the Company received an invoice from Buflovak for \$83,275 which was paid on May 2, 2023 bringing the aggregate payments to \$2,615,500 as of the date of this filing. There remains \$50,000 open on the Purchase Order has been billed on July 26, 2023. In addition to the Purchase Order, through June 30, 2023 the Company has incurred additional costs of \$4,182,260 on the Initial Project for capitalized interest and costs, non-cash compensation and consulting fees. \$3,962,207 has been paid and \$220,053 has been billed and not yet paid. See Note 12 **"Subsequent Events"** for expenditure after June 30, 2023.

Buflovak has worked with the Company on design and testing of its 3G Tech over several years. The basic design for the Initial Project's Bion System is complete, fabrication and delivery of equipment from Buflovak from the Purchase Order Agreement has been largely completed and assembly/construction is in process. 3GI is working in concert with Integrated Engineering Services, the primary site engineering firm for the facility, on the integration of all project components/modules at the Initial Project site. Additional agreements have been entered into various professional services providers (engineers, surveyors, utilities, etc.) for work related to the Initial Project. The Company has incurred costs of \$6,103,693 on the Initial Project, not including capitalized labor and interest.

Litigation:

A: Website: Domain Sale/Resolved Litigation/Hacking/Theft

On March 23, 2022 the Company entered into an agreement to sell domain name <biontech.com> and other related assets to BioNTech SE ("BNTX") for the sum of \$950,000 (before expenses related to the transaction) which sale was closed/completed on April 2, 2022 with a one-time gain of \$902,490. The Company has been using www.bionenviro.com as its primary website (and domain) since July 2021 due to the events described below. The Company has not been using biontech.com> no longer represented a core asset of the Company.

As previously reported, on Saturday morning, July 17, 2021, our historical website domain – biontech.com – and email services were compromised and disabled. Research indicated that an unknown party had 'hijacked' the domain in a theft attempt. On September 10, 2021, the Company filed a federal lawsuit 'in rem' to recover the
biontech.com> domain and the unknown 'John Doe' who hacked and attempted to steal the website. The litigation was filed in the United States District Court for the Eastern District of Virginia, Alexandria Division under the heading 'Bion Environmental Technologies, Inc., Plaintiff, vs John Doe and
biontech.com>, Defendants' (Case No. 1:21-cv-01034), seeking recovery of the domain name and other relief as set forth therein.

On November 19, 2021, the United States District Court for the Eastern District of Virginia, Alexandria Division issued an order stating that "... ORDERED, ADJUDGED and Decreed that plaintiff Bion Environmental Technologies, Inc. ('plaintiff) Is the lawful owner of domain name <biointech.com>" under the heading 'Bion Environmental Technologies, Inc., Plaintiff, vs John Doe and

biointech.com>, Defendants' (Case No. 1:21-cv-01034). The Company has moved the domain name <biointech.com> to a new registrar and reactivated it for the Company's use (paired currently with its current bionenviro.com website).

No shareholder, sensitive or confidential information was available to be breached which has limited damages from the hack/theft to date. However, the Company's email operations were subjected to disruption and expenses were incurred related to the matter including legal fees.

The Company created 'work-arounds' as a result. These issues have been resolved and the Company has moved our website (and email) to a new domain: bionenviro.com. Website access is now www.bionenviro.com. To send emails to Bion personnel, one uses the same name identifier previously used, but in the address, substitute 'bionenviro.com' for "biontech.com': For example cscott@biontech.com (no longer functional) is cscott@bionenviro.com and mas@biontech.com (no longer functional) is now mas@bionenviro.com.

B: Pennvest Loan and Dissolution of Bion PA1, LLC ("PA1")

PA1, the Company's wholly-owned subsidiary, was dissolved on December 29, 2021 on which date it owed approximately \$10,010,000 under the terms of the Pennvest Loan related to the construction of the Kreider 1 System including accrued interest and late charges totaling \$2,255,802 as of that date. Through the date of the dissolution, PA1 was a wholly-owned subsidiary of the Company and its assets and liabilities were included on the Company's consolidated balance sheet. At September 30, 2021, PA1's total assets were \$ 297 and its total liabilities were \$10,154,334 (including the Pennvest Loan in the aggregate amount of \$9,939,148, accounts payable of \$214,235 and accrued liabilities of \$950) which sums were included in the Company's consolidated balance sheet in its Form 10-Q for the quarter ended September 30, 2021. Subsequent to the dissolution of PA1, its assets and liabilities are no longer consolidated and included in the Company's consolidated balance sheet. As of December 29, 2021, PA1's total assets were nil and its total liabilities were \$10,234,501 (including the Pennvest Loan in the aggregate amount of \$10,009,802, accounts payable of \$212,263 and accrued liabilities of \$12,436. The net amount of \$10,234,501 was recognized as a gain on the legal dissolution of a subsidiary in other (income) expense.

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As background, the terms of the Pennvest Loan provided for funding of up to \$7,754,000 which was to be repaid by interest-only payments for three years, followed by an additional ten-year amortization of principal. The Pennvest Loan accrued interest at 2.547% per annum for years 1 through 5 and 3.184% per annum for years 6 through maturity. The Pennvest Loan required minimum annual principal payments of approximately \$5,886,000 in fiscal years 2013 through 2021, and \$846,000 in fiscal year 2022, \$873,000 in fiscal year 2023 and \$149,000 in fiscal year 2024. The Pennvest Loan was collateralized by PA1's Kreider 1 System and by a pledge of all revenues generated from Kreider 1 including, but not limited to, revenues generated from nutrient reduction credit sales and by-product sales. In addition, in consideration for the excess credit risk associated with the project, Pennvest was entitled to participate in the profits from Kreider 1 calculated on a net cash flow basis, as defined. The Company has incurred interest expense related to the Pennvest Loan of \$123,444 and \$246,887 for the years ended June 30, 2022 and 2021, respectively. Based on the limited development of the depth and breadth of the Pennvest Loan during 2013. In the context of such negotiations, PA1 elected not to make interest payments to Pennvest on the Pennvest Loan since January 2013. Additionally, the PA1 did not make any principal payments, which were to begin in fiscal 2013, and, therefore, the Company classified the Pennvest Loan as a current liability through the dissolution of PA1 on December 29, 2021.

During August 2012, the Company provided Pennvest (and the PADEP) with data demonstrating that the Kreider 1 system met the 'technology guaranty' standards which were incorporated in the Pennvest financing documents and, as a result, the Pennvest Loan has been solely an obligation of PA1 since that date. Note, however, the Company's consolidated balance sheet as of June 30, 2021 reflects the Pennvest Loan as a liability of \$9,868,495 despite the fact that the obligation (if any) was solely an obligation of PA1.

On September 25, 2014, the Pennsylvania Infrastructure Investment Authority ("Pennvest") exercised its right to declare the PA1's Pennvest Loan in default, accelerated the Pennvest Loan and demanded that PA1 pay \$8,137,117 (principal, interest plus late charges) on or before October 24, 2014. PA1 did not make the payment and did/does not have the resources to make the payments demanded by Pennvest. PA1 commenced discussions and negotiations with Pennvest concerning this matter but Pennvest rejected PA1's proposal made during the fall of 2014. PA1 made a final proposal to Pennvest during September 2021 which proposal was also rejected by Pennvest. PA1 provided Pennvest with its financial statements (which include a description of system status) annually. During the 2021 fiscal year, Pennvest's auditors requested a 'corrective action plan' and PA1 informed Pennvest that "... there is no viable corrective action plan for the Pennvest Loan ('Loan'). The facility funded by the Loan has been shut down for many years (which has been disclosed in the annual financial reports to Pennvest and in public filings by the parent of Bion PA 1, LLC) and the technology utilized in the facility is now obsolete. The facility has not been commercially operated for approximately six years and has generated zero income. We recommend that Pennvest take appropriate steps to remove and sell the equipment." Pennvest responded favorably to the approach of selling the equipment.

On December 29, 2021, the Company approved and executed a 'Consent of the Sole Member of Bion PA 1' (the "Consent to Dissolution") that authorized the complete liquidation and dissolution of PA1. A Statement of Dissolution was filed by PA1 with the Colorado Secretary of State on December 29, 2021. The liquidation value of Bion PA 1's property is substantially below the current amount outstanding under the Funding Agreement dated October 27, 2010 by and between PA1 and Pennvest, the only known secured creditor of PA1. Post-dissolution, PA1's activities will be limited entirely to activities required to properly distribute its net assets to creditors and wind down its business.

PA1 and Pennvest agreed to have the equipment sold by a third party auctioneer who arranged for the sale of its property and delivery of all proceeds (net of commissions and customary costs of sale) to Pennvest. The auction took place during the period of May 13-18, 2022. The Company's personnel assisted PA1 with this process as needed at no cost to PA1. The net sum of \$104,725 was realized from the asset sale, which sum was delivered to Pennvest on June 15, 2022. Pursuant to agreement with Pennvest and Kreider Farms, the remaining unsold assets have been transferred to Kreider Farms in order to complete the winding up of the Kreider 1 project.

Upon the complete distribution of all assets of PA1, whether by transfer or sale and distribution of net proceeds as provided above, PA1 will use commercially reasonable efforts to cause the cessation of all activities. No distributions of PA1's assets will be made to the Company or its affiliates. The Consent to Dissolution authorized Mark A. Smith, the Company's President and the sole manager of PA1, to cause to be delivered for filing the Statement of Dissolution, to give notice of the dissolution, and to take any other act necessary to wind up and liquidate the business.

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PA1 has made no payments to vendors or other creditors in connection with the dissolution other than the payment to Pennvest set forth above. No distributions or payments of any kind have ever been made to the Company, the sole member of PA1 since inception, and no payment will be made to the Company or any affiliate in connection with the dissolution.

For more information regarding the history and background of the Pennvest Loan and PA1, please review our Form's 10-K for the years from 2008 through 2021 including the Notes to the Financial Statements included therein.

Bank Account Hacking

On June 23, 2023, an officer of the Company with personal accounts with Signature Bank was hacked and \$75,000 was transferred from the Company's accounts at Signature Bank to the officer's personal accounts. The bank was notified and all Company accounts were placed on hold. Subsequently, the funds were released and transferred back to the Company prior to June 30, 2023 the end of the fiscal year and there were no losses incurred. The Company has reviewed the authorized individuals on all accounts and further limited access after the hacking incident.

The Company currently is not involved in any other material litigation or similar events.

Lease:

The Company entered into an agreement on September 23, 2021, to lease approximately four acres of land near Fair Oaks, Indiana, for the development site of its Initial Project.

The future minimum lease payment under noncancelable operating lease with terms greater than one year as of June 30, 2023:

| Schedule Of Future Minimum Lease Payment | |
|---|---------------|
| Year ended June 30, 2023 to June 2024 | \$ 75,000 |
| Year ended June 30, 2024 to December 2024 | 37,500 |
| Undiscounted cash flow | 112,500 |
| Less imputed interest | (8,432) |
| Total | \$ 104,068 |
| Less current portion | (75,000) |
| Long term lease liability | 29,068 |

The weighted average remaining lease term and discounted rate related to the Company's lease liability as of June 30, 2023 were 1.58 years and 10%, respectively. The Company's lease discount rate is generally based on the estimates of its incremental borrowing rate as the discount rates implicit in the Company's lease cannot be readily determined.

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10. INCOME TAXES

The reconciliation between the expected federal income tax benefit computed by applying the Federal statutory rate to loss before income taxes and the actual benefit for taxes on loss for the years ended June 30, 2023 and 2022 is as follows:

| | 2023 | 2022 |
|---|-----------------|-----------------|
| Expected income tax benefit at statutory rate | \$ (670,000) | \$ 1,741,000 |
| State taxes, net of federal benefit | (117,000) | 303,000 |
| Permanent differences and other | 9,000 | 8,000 |
| Expiration of net operating allowances | 733,000 | 1,229,000 |
| Change in valuation allowance | (45,000) | (3,281,000) |
| Income tax benefit | \$ | \$ _ |

The Company has net operating loss carry-forwards ("NOLs") for tax purposes of approximately \$39,500,000 as of June 30, 2023. These NOLs expire on various dates through 2042.

The utilization of the NOLs may be limited under Section 382 of the Internal Revenue Code.

The Company's deferred tax assets for the years ended June 30, 2023 and 2022 are estimated as follows:

| | 2023 | 2022 |
|---------------------------------------|-------------|-----------------|
| NOL carryforwards (Federal and State) | \$ 8,299,00 | \$ 8,274,000 |
| Stock-based compensation | 5,459,00 | 5,436,000 |
| Impairment | 1,340,00 | 1,340,000 |
| Business interest | 338,00 |) 339,000 |
| Deferred compensation | 1,054,00 |) 1,054,000 |
| Capitalized research and development | 66,00 |) — |
| Gross deferred taxassets | 16,148,00 | 16,443,000 |
| Valuation allowance | (16,148,00 | 0) (16,443,000) |
| Net deferred tax assets | \$ | \$ |

The Company has provided a valuation allowance of 100% of its net deferred tax asset due to the uncertainty of generating future profits that would allow for the realization of such deferred tax assets.

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11. 401(k) PLAN:

The Company has adopted the Bion Technologies, Inc. 401(k) Profit Sharing Plan and Trust (the "401(k) Plan"), a defined contribution retirement plan for the benefit of its employees. The 401(k) Plan is currently a salary deferral only plan and at this time the Company does not match employee contributions. The 401(k) is open to all employees over 21 years of age and no service requirement is necessary.

12. SUBSEQUENT EVENTS:

The Company has evaluated events that occurred subsequent to June 30, 2023 for recognition and disclosure in the financial statements and notes to the financial statements.

From July 1, 2023 through September 28, 2023, the Company has incurred costs of \$583,870 for an aggregate of \$7,431,630 for the Initial Project.

From July 1, 2023 through September 28, 2023, 38,000 warrants were exercised to purchase 38,000 shares of the Company's common stock at \$0.75 per share for total proceeds of \$28,500.

On July 7, 2023, the Company issued 7,500 shares of the Company's common stock to a consultant for services. The shares were issued at \$1.20 per share for a total value of \$9,000.

On July 21, 2023, Mr. Smith converted \$49,048 of principal from his Adjusted 2020 Convertible note into 518,477 Units at a conversion rate of \$.0946; each unit consisting of one share and one warrant with the exercise price of \$.75 until 7/21/2026. Each of these warrants carry an exercise price adjustment provision of 75%.

On August 16, 2023, the Company issued 10,753 shares of the Company's common stock to a consultant for services. The shares were issued at \$1.55 per share for a total value of \$16,667.

On August 28, 2023, the Company sold 28,589 units at a price of \$1.60 for a total of \$45,742.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunder duly authorized.

BION ENVIRONMENTAL TECHNOLOGIES, INC.

Dated: September 28, 2023

By: /s/ Mark A. Smith Mark A. Smith, President and Chief Financial Officer (Principal Financial and Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

TITLE

| /s/ Mark A. Smith Mark A. Smith | Executive Chairman, President, Chief Financial Officer and Director | September 28, 2023 |
|--|---|--------------------|
| /s/ William O'Neill William O'Neill | Chief Executive Officer | September 28, 2023 |
| /s/ Jon Northrop Jon Northrop | Secretary and Director | September 28, 2023 |
| /s/ Edward Schafer Edward Schafer | Director | September 28, 2023 |
| /s/ William Rupp William Rupp | Director | September 28, 2023 |
| /s/ Salvatore Zizza Salvatore Zizza | Director | September 28, 2023 |

SECTION 302 CERTIFICATION

I, William O'Neill, certify that:

1. I have reviewed this annual report on Form 10-K of Bion Environmental Technologies, Inc.;

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

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

4. The Registrant's other certifying officer 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 small business issuer'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 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: September 28, 2023

<u>/s/ William O'Neill</u> William O'Neill Chief Executive Officer

SECTION 302 CERTIFICATION

I, Mark A. Smith, certify that:

1. I have reviewed this annual report on Form 10-K of Bion Environmental Technologies, Inc.;

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

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

4. The Registrant's other certifying officer 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 small business issuer'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 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: September 28, 2023

<u>/s/ Mark A. Smith</u> Mark A. Smith Executive Chairman, President and Chief Financial Officer

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

In connection with the Form 10-K of Bion Environmental Technologies, Inc., a company duly formed under the laws of Colorado (the "Company"), for the fiscal year ended June 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), William O'Neill, Chief Executive Officer of the Company, hereby certifies, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of his knowledge, that:

(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 results of operations of the Company.

September 28, 2023

/s/ William O'Neill

William O'Neill Chief Executive Officer

This certification accompanies this Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

A signed original of this written statement required by Section 906 has been provided to Bion Environmental Technologies, Inc. and will be retained by Bion Environmental Technologies, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

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

In connection with the Form 10-K of Bion Environmental Technologies, Inc., a company duly formed under the laws of Colorado (the "Company"), for the fiscal year ended June 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Mark A. Smith, President (Executive Chairman) and Chief Financial Officer (Principal Financial and Accounting Officer) of the Company, hereby certifies, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of his knowledge, that:

(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 results of operations of the Company.

Date: September 28, 2023

/s/ Mark A. Smith

Mark A. Smith Executive Chairman, President and Chief Financial Officer

This certification accompanies this Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

A signed original of this written statement required by Section 906 has been provided to Bion Environmental Technologies, Inc. and will be retained by Bion Environmental Technologies, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.