U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended December 31, 2023

☐ 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.
(Name of registrant in its charter)

Colorado	**84-1176672**
(State or other jurisdiction of incorporation or formation)	(I.R.S. employer identification number)

9 East Park Court
Old Bethpage, New York 11804
(Address of principal executive offices)

516-586-5643

(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	BNET	OTCQB

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 ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). X Yes ☐ No

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

Large accelerated filer ☐	Accelerated filer ☐
Non-accelerated filer ☐	Smaller reporting company X
Emerging growth company ☐	

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

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

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APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY

PROCEEDINGS DURING THE PRECEDING FIVE YEARS: Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. **Not applicable.**

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

On February 1, 2024, there were 56,906,124 Common Shares issued and 56,201,815 Common Shares outstanding.

BION ENVIRONMENTAL TECHNOLOGIES, INC.

FORM 10-Q

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FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains 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 or similar terminology. The expectations reflected in forward-looking statements may prove to be incorrect.

BION ENVIRONMENTAL TECHNOLOGIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	December 31, 2023 (unaudited)	June 30, 2023
ASSETS		
Current assets:		
Cash	$ 384,735	$ 625,964
Prepaid expenses	3,394	16,785
Deposits and other assets	6,000	6,000
Total current assets	394,129	648,749
Operating lease right-of-use asset	66,090	93,875
Property and equipment, net (Note 3)	9,110,640	6,851,009
Total assets	$ 9,570,859	$ 7,593,633
LIABILITIES AND EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable and accrued expenses	$ 2,648,005	$ 677,136

Deferred compensation (Note 4)	1,225,226	864,781
Convertible Bridge Note Payable (Note 6)	255,407	—
Operating lease liability, current (Note 9)	71,091	75,000
Total current liabilities	4,199,729	1,616,917
Operating lease liability, long term (Note 9)	—	29,068
Convertible notes payable - affiliates (Note 6)	1,740,083	1,715,970
Total liabilities	5,939,812	3,361,955
Equity (deficit):		
Common stock, no par value, 250,000,000 shares authorized, 50,611,962 and 48,044,790 shares issued, respectively; 49,907,653 and 47,340,480 shares outstanding, respectively	—	—
Additional paid-in capital	132,798,923	131,935,418
Subscription receivable - affiliates (Note 8)	(504,650)	(504,650)
Accumulated deficit	(128,700,799)	(127,236,663)
Total Bion's stockholders’ equity (deficit)	3,593,474	4,194,105
Noncontrolling interest	37,573	37,573
Total equity (deficit)	3,631,047	4,231,678
Total liabilities and deficit	$ 9,570,859	$ 7,593,633

See notes to condensed consolidated financial statements

BION ENVIRONMENTAL TECHNOLOGIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
SIX MONTHS ENDED DECEMBER 31, 2023 AND 2022
(UNAUDITED)

	Three months ended December 31,		Six months ended December 31,	
	2023	2022	2023	2022
Revenue	$ —	$ —	$ —	$ —
Operating expenses:				
General and administrative (including stock-based compensation)	636,017	630,542	1,302,272	1,497,036
Depreciation	460	394	921	724
Research and development (including stock-based compensation)	7,431	15,148	15,730	43,591
Total operating expenses	643,908	646,084	1,318,923	1,541,351
Loss from operations	(643,908)	(646,084)	(1,318,923)	(1,541,351)
Other (income) expense:				
Interest income	(109)	(1,375)	(504)	(3,310)
Interest expense	74,790	85,285	145,717	111,380
Total other expense	74,681	83,910	145,213	108,070
Net income (loss)	(718,589)	(729,994)	(1,464,136)	(1,649,421)
Net loss attributable to the noncontrolling interest	—	—	—	—
Net income (loss) applicable to Bion's common stockholders	$ (718,589)	$ (729,994)	$ (1,464,136)	$ (1,649,421)
Net income (loss) applicable to Bion's common stockholders per basic and diluted common share	$ (0.01)	$ (0.02)	$ (0.03)	$ (0.04)
Weighted-average number of common shares outstanding:				
Basic and diluted	48,748,554	43,620,051	49,321,180	43,533,789

See notes to condensed consolidated financial statements

BION ENVIRONMENTAL TECHNOLOGIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
THREE AND SIX MONTHS ENDED DECEMBER 31, 2023 AND 2022
(UNAUDITED)

Three months ended December 31, 2023 and 2022

	Bion's Stockholders'										
	Series A Preferred Stock		Series C Preferred Stock		Common Stock		Additional paid-in	Subscription Receivables	Accumulated	Noncontrolling	Total
	Shares	Amount	Shares	Amount	Shares	Amount	capital	for Shares	deficit	interest	equity/(deficit)
Balances, October 1, 2022	—	$ —	—	$ —	44,303,654	$ —	124,300,604	$ (504,650)	$ (124,966,975)	$ 37,573	$ (1,133,448)
Sale of units	—	—	—	—	226,230	—	226,230	—	—	—	226,230
Issuance of warrants for services	—	—	—	—	—	—	32,250	—	—	—	32,250
Modification of warrants	—	—	—	—	—	—	68,088	—	—	—	68,088
Net loss	—	—	—	—	—	—	—	—	(729,994)	—	(729,994)
Balances, December 31, 2022	—	$ —	—	$ —	44,529,884	$ —	$ 124,627,172	$ (504,650)	$ (125,696,969)	$ 37,573	$ (1,536,874)
Balances, October 1, 2023	—	$ —	—	$ —	49,485,556	$ —	132,197,829	$ (504,650)	$ (127,982,210)	$ 37,573	$ 3,748,542
Sale of units	—	—	—	—	375,000	—	375,000	—	—	—	375,000
Warrants exercised under cashless exercise	—	—	—	—	265,639	—	—	—	—	—	—
Issuance of units for services	—	—	—	—	36,506	—	48,334	—	—	—	48,334
Issuance of warrants for services					—	—	5,000				5,000
Vesting of options for employees and services	—	—	—	—	—	—	52,378	—	—	—	52,378
Vesting of warrants for employees and services	—	—	—	—	—	—	3,281	—	—	—	3,281
Debt Modification	—	—	—	—	—	—	(8,430)	—	—	—	(8,430)
Conversion of debt and liabilities	—	—	—	—	449,261	—	42,500	—	—	—	42,500
Modification of warrants	—	—	—	—	—	—	89,031	—	—	—	89,031
Commission on sale of units	—	—	—	—	—	—	(6,000)	—	—	—	(6,000)
Net loss	—	—	—	—	—			—	(718,589)	—	(718,589)
Balances, December 31, 2023	—	$ —	—	$ —	50,611,962	$ —	$ 132,798,923	$ (504,650)	(128,700,799)	$ 37,573	$ 3,631,047

BION ENVIRONMENTAL TECHNOLOGIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
THREE AND SIX MONTHS ENDED DECEMBER 31, 2023 AND 2022
(UNAUDITED) CONTINUED

Six months ended December 31, 2023 and 2022

	Bion's Stockholders'										
	Series A Preferred Stock		Series C Preferred Stock		Common Stock		Additional paid-in	Subscription Receivables	Accumulated	Noncontrolling	Total
	Shares	Amount	Shares	Amount	Shares	Amount	capital	for Shares	deficit	interest	equity/(deficit)
Balances, July 1, 2022	—	$ —	—	$ —	43,758,820	$ —	123,620,046	$ (504,650)	$ (124,047,548)	$ 37,573	$ (894,579)
Sale of units	—	—	—	—	546,230	—	546,230	—	—	—	546,230
Warrants exercised for common shares	—	—	—	—	74,834	—	88,375	—	—	—	88,375
Issuance of units for services	—	—	—	—	50,000	—	80,000	—	—	—	80,000
Issuance of warrants for services	—	—	—	—	—	—	15,000	—	—	—	15,000
Conversion of debt and liabilities	—	—	—	—	100,000	—	50,000	—	—	—	50,000
Modification of warrants	—	—	—	—	—	—	227,521	—	—	—	227,521
Net loss	—	—	—	—	—	—	—	—	(1,649,421)	—	(1,649,421)
Balances, December 31, 2022	—	$ —	—	$ —	44,529,884	$ —	$ 124,627,172	$ (504,650)	$ (125,696,969)	$ 37,573	$ (1,536,874)
Balances, July 1, 2023	—	$ —	—	$ —	48,880,237	$ —	131,935,418	$ (504,650)	$ (127,236,663)	$ 37,573	$ 4,231,678
Sale of units	—	—	—	—	403,589	—	420,742	—	—	—	420,742
Warrants exercised for common shares	—	—	—	—	38,000	—	28,500	—	—	—	28,500

Warrants exercised under cashless exercise	—	—	—	—	265,639	—	—	—	—	—	—
Issuance of units for services	—	—	—	—	56,759	—	76,320	—	—	—	76,320
Issuance of warrants for services	—	—	—	—	—	—	5,000	—	—	—	5,000
Vesting of options for employees and services	—	—	—	—	—	—	107,487	—	—	—	107,487
Vesting of warrants for employees and services	—	—	—	—	—	—	6,563	—	—	—	6,563
Debt Modification	—	—	—	—	—	—	(16,861)	—	—	—	(16,861)
Conversion of debt and liabilities	—	—	—	—	967,738	—	91,548	—	—	—	91,548
Modification of warrants	—	—	—	—	—	—	150,206	—	—	—	150,206
Commission on sale of units	—	—	—	—	—	—	(6,000)	—	—	—	(6,000)
Net loss	—	—	—	—	—	—	—	—	(1,464,136)	—	(1,464,136)
Balances, December 31, 2023	—	$ —	—	$ —	50,611,962	$ —	$ 132,798,923	$ (504,650)	$ (128,700,799)	$ 37,573	$ 3,631,047

See notes to condensed consolidated financial statements

BION ENVIRONMENTAL TECHNOLOGIES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	$ (1,464,136)	$ (1,649,421)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation expense	921	724
Accrued interest on loans payable, deferred compensation and other	145,717	43,292
Stock- based compensation	129,048	223,021
Stock-based compensation for services	81,321	127,250
Decrease in prepaid expenses	13,391	80,062
Decrease in accounts payable and accrued expenses	220,699	(949,097)
Decrease (increase) in operating lease assets and liabilities	(5,192)	32,308
Increase in deferred compensation	427,583	170,000
Net cash used in operating activities	(450,648)	(1,921,861)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(483,823)	(739,486)
Net cash used in investing activities	(483,823)	(739,486)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from sale of units	420,742	546,230
Commission on the sale of units	(6,000)	—
Proceeds from convertible bridge loan	250,000	—
Proceeds from exercise of warrants	28,500	56,125
Net cash provided by financing activities	693,242	602,355
Net decrease in cash	(241,229)	(2,058,992)
Cash at beginning of year	625,964	3,160,442
Cash at end of year	$ 384,735	$ 1,101,450
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ —	$ —
Non-cash investing and financing transactions:		
Conversion of debt and liabilities into common units	$ 49,048	$ 50,000
Conversion of debt and liabilities into notes payable	$ —	$ 23,943
Conversion of deferred compensation to notes payable	$ 80,767	$ 60,000
Conversion of notes payable into shares	$ 91,548	—
Purchase of property and equipment for accounts payable	$ 1,750,170	$ 135,673

See notes to condensed consolidated financial statements

BION ENVIRONMENTAL TECHNOLOGIES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SIX MONTHS ENDED DECEMBER 31, 2023 AND 2022

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

Organization and nature of business:

DUE TO THE RECENT DEATH (FOLLOWING EXTENDED ILLNESS) OF DOMINIC BASSANI (WHO MOST RECENTLY SERVED AS OUR COO (FROM MAY 2022) AFTER SERVING AS OUR CEO FOR THE PRIOR DECADE) AND DIFFICULTIES IN RAISING NEEDED FUNDS (WHICH RE-EMERGED DURING THE 2023 FISCAL YEAR AND HAVE CONTINUED THROUGH THE CURRENT QUARTER TO DATE), THE COMPANY IS FACING INCREASED CAPITAL NEEDS AND THE NEED TO TRANSITION TO A YOUNGER MANAGEMENT TEAM (MARK A. SMITH, THE COMPANY'S PRESIDENT AND GENERAL COUNSEL, PROVIDED NOTICE DURING EARLY 2023 OF HIS INTENT TO PHASE OUT HIS MANAGEMENT ROLES EARLY THIS CALENDAR YEAR). THESE ITEMS HAVE BEEN PREVIOUSLY DISCLOSED BUT THE COMPANY BELIEVES IT IS IMPORTANT TO FEATURE THEM 'UPFRONT' AT THIS POINT. PLEASE NOTE:

A: The Company is not 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. **See "Going Concern and Management's Plans" below.** Current liabilities were approximately $4.2 million at December 31, 2023. There was an increase of approximately $2.6 million from a year earlier (which was largely due to an increase in 'accounts payable and accrued expenses' totaling approximately $2.0 million and an increase in 'deferred compensation' of approximately $.35 million) as a result of the Company's limited success in raising new financing (equity and/or debt) during the recent period in combination with continued expenses (including those related to the Initial Project); and

B: On September 28, 2023 the Company entered into an agreement for a $1,500,000 bridge loan and executed documents including a convertible promissory note ("Note") and a binding subscription agreement ("Subscription") (collectively the Note and the Subscription are the "Bridge Loan Agreements") with SEB LLC, a non-affiliated party ("Lender"). The Bridge Loan Agreements require the Lender to loan the Company $1,500,000 in six monthly tranches of $250,000 commencing October 2023. All sums advanced under the Bridge Loan Agreements (and accrued interest thereon) would due and payable (with interest accrued at 9% per annum) on October 1, 2024 if not previously converted into securities of the Company. The Note is convertible at $1.00 per unit, at the sole election of the Lender, into units consisting of one share of the Company's common stock and a warrant to purchase one half share. The initial $250,000 tranche was received by the Company on October 5, 2023. However, no further funds were received by the Company from the Lender. During early November 2023 the Lender informed the Company verbally that it did not intend to fulfill its obligations pursuant to the Bridge Loan Agreements and since such time the Lender has been in default ("Default"). The Default (which is continuing) has exacerbated the Company's exiting problems and materially damaged the Company and rendered the Company unable to meet its creditor obligations on a timely basis. The Company is currently evaluating its rights regarding the Default by the Lender. **See Notes re Bridge Loan/Default.** This situation has contributed to the substantial increase in the Company's 'Current Liabilities' including 'accounts payable' over recent periods. **See Consolidated Financial Statements** and **'Management's Discussion and Analysis'.** The Company is in discussion/negotiation with its larger creditors (including its largest creditor--- the primary contractor on the Initial Project) and anticipates reaching agreements re payments during the current quarter (or soon thereafter).

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. that 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 calendar 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 our 2023 fiscal year, Bion entered into three (3) letters of intent ("LOIs"): a) July 2022 letter of intent to develop a large-scale commercial project - a 15,000-head sustainable beef cattle feeding operation together with the Ribbonwire Ranch ("Ribbonwire LOI"), in Dalhart, Texas (with a provision to expand to 60,000 head) ("Dalhart Project"), (b) January 2023 letter of intent to develop a large-scale commercial project - a 15,000-head sustainable beef cattle feeding operation together with the Olson Feeders and TD Angus ("Olson LOI"), near North Platte, Nebraska (with a provision to expand to 45,000 head or more) ("Olson Project") and c)April 2023 letter of intent to develop a large-scale commercial project - a 15,000-head sustainable beef cattle feeding operation together with Dakota Valley Growers ("DVG LOI") near Bathgate, North Dakota ("DVG Project"). The Company is in discussions with additional parties regarding potential further LOIs. 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 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 tone or more of these LOIs into definitive JV agreements and creating related distribution agreements with key retailers and food service distributors during the current calendar 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 continuing our work at 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 2023 calendar year, 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. The Initial Project has been deemed 'placed in service' effective January 1, 2024. Operating results to date at Fair Oaks indicate ARS performance will exceed initial expectations for ammonia recovery and related economics. The Company recently announced that we have achieved key objectives in the optimization of its ARS and will now begin the final design process for full-scale systems based on results to date (and testing over the remainder of this fiscal year) at the Initial Project. 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). Final economic and energy efficiency models will be validated during the final design process. The Company intends to engage a third party engineering firm during the next quarter to prepare a third-party evaluation of the ARS while also moving forward on final commercial design process.

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. During the last three (3) months,, the Company has produced ammonium distillate and ammonium bicarbonate solutions at the Initial Project in several concentrations and plans to initiate the application process for organic certification for each concentration of liquid fertilizer product. Multiple applications to OMRI (Organic Materials Review Institute) and CDFA (California Department of Food and Agriculture) are being prepared for listing/certification of new organic products. Bion received an OMRI-Listing in 2020 for its initial product. Bion will continue producing liquid and crystal fertilizers at the Initial Project to support testing and life-cycle analysis, product trials, and ongoing organic initiatives. 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.

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 one or more 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 the 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).

Note that Bion recently announced its intention to establish strategic partnerships to market the ARS as a stand-alone addition to anaerobic digestion ("AD") nitrogen control solution in two sectors:

A) **INDUSTRIAL AND MUNICIPAL WASTEWATER.** AD is now used at 1,269 water resource recovery facilities in the U.S., with another 102 stand-alone systems that digest food waste. The American Biogas Council estimates an additional 8,600 sites with development potential. Germany, by comparison, has almost 10,000 operating AD sites. In the U.S., wastewater and AD digestate from industrial and municipal sources is already regulated for ammonia and nitrates. The EPA recently proposed tougher standards for slaughter facilities. Bion believes ARS ammonia treatment costs will be competitive in these markets and that its unique premium fertilizer byproducts will create an advantage, especially with waste streams that are still considered 'organic', like slaughter and food waste.

B) **ANIMAL WASTE.** According to the American Biogas Council here are 473 animal waste digesters operating in the U.S. today, most on dairy operations. The American Biogas Council and USDA's AgSTAR program estimate more than 8,000 additional sites with development potential. The ARS was designed specifically for this purpose: control ammonia from livestock waste and produce the highest value byproducts with it. Digestate from animal waste AD has enjoyed the same reduced regulatory requirements as land applying raw manure. Recent trends in Michigan and California indicate they will treat animal waste digestate as any industrial source, subject to groundwater permitting requirements. Bion believes its proven technology and value-added fertilizers will give it a significant competitive advantage in this evolving market.

Bion is now focused primarily on: i) operation and further testing at the Initial Project, our initial commercial-scale Gen3Tech installation, for support of design/feasibility studies/reports related to our initial JV Projects (and further 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), (v) exploring JVs re stand-alone ARS markets, while (vi) 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.

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 sustainable-branded 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.

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 move forward on the timelines currently contemplated, active development of the initial LOI Project will commence during 2024.

As a pre-cursor to such activity, the Company has constructed and commenced operations 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 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 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 ammonium 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 3G1 LLC ('3G1'), 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 December 31, 2023 the Company has incurred additional costs of $6,442,812 on the Initial Project for capitalized interest and costs, non-cash compensation, equipment and consulting fees. $6,983954 has been paid and $1,750,170 has been billed and not yet paid.

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. 3G1 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 $8,177,452 on the Initial Project, not including capitalized labor and interest.

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 corn-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.

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 and the California Department of Food & Agriculture ("CDFA") without success to date , in part due to the novel nature of our Gen3Tech in the context of organic certifications). The Company anticipates filing multiple new applications with OMRI and CDFA (and possible others) for higher concentration liquid products and solid products based on production from the Initial Project over the next several months. 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 '**Gen3Tech Kreider 2 Poultry Project'** 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 enter the cellular and 3D-printed meat arena. While facing myriad challenges and further out on the development timeline, some people believe cellular agriculture (aka cultured, clean, lab-grown, cultivated) meat may have the potential to service a much larger percentage of the market than plant-based protein, including cuts like steaks, chops and roasts, but the likely cost remains very uncertain at this point.

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 corn-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.

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 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 (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 corn-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 corn, 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.

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 '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 2 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 4% up to 16% (or higher)) based on production of liquid samples during operation of the Initial Project. 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 CO_2 in the waste stream (including CO_2 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.

Ammonium 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 CO_2 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 have submitted additional supplemental supporting materials to CDFA. 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.

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 dairy---including 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, ammonia, 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.

Going Concern and Management's Plans:

The Company's condensed consolidated financial statements have been prepared assuming the Company will continue as a going concern. The Company incurred a net loss of $1,464,000 and $1,649,000 for the six months ended December 31, 2023 and 2022, respectively. At December 31, 2023, the Company has a working deficit and a stockholders' equity of approximately $3,806,000 and $3,593,000, respectively. The Company has not generated significant revenues (even though it earned a net income of $8,291,000 for the year ended June 30, 2022) and incurred 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 Bion PA-1, LLC ("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. During the year ended June 30, 2023 the Company had debt modifications that resulted in a reduction of debt of $3,516,000 and an increase in equity. The Company's lack of revenue and/or operating profits, together with the low likelihood of generating positive cash flow and/or net income during the next 12-24 months, raise substantial doubt about the Company's ability to continue as a going concern. **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. 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 Projects) 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.** The aggregate effect of these factors raises substantial doubt about the Company's ability to continue as a going concern. The accompanying condensed 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.

Current liabilities were approximately $4.2 million and $1.6 million at December 31, 2023 and 2022, respectively. There was an increase of approximately $2.6 million (which was largely due to an increase in 'accounts payable and accrued expenses' totaling approximately $2.0 million and an increase in 'deferred compensation' of approximately $.35 million) as a result of the Company's limited success in raising new financing (equity and/or debt) during the recent period combined with continued expenses (including those related to the Initial Project).

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 (as a whole), 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 and second quarters of the current fiscal year (and the third quarter through the date of this report). The Company raised only raised very limited equity funds during such periods to meet its some of its immediate needs, and therefore, the Company needs to raise substantial additional funds in the upcoming periods. The Company has faced 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 and members of the Company's senior management have from time-to-time made loans to the Company in the past and may do so in future periods. 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 the six months ended December 31, 2023 and 2022 the Company received total proceeds of approximately $443,000 and $602,000, respectively, from the sale of its debt and equity securities. During the six months ended December 31, 2023 the Company received proceeds of $250,000 from a convertible bridge loan **but the provider of the bridge loan breached its contractual obligation/binding subscription agreement to fund an additional $1,250,000 to the Company during November 2023 (and on an ongoing basis since such time), which breach (combined with management stresses related to the final illness and passing of Dominic Bassani, Bion's COO and former CEO, and required management transitions) has created a substantial cash flow difficulties for the Company which are ongoing. See Note 6 and Note 9, E4) Bridge Loan/Default below.**

The Company anticipates substantial increases in demand for capital and operating expenditures for the balance of fiscal year 2024 (and we anticipate such increased demands will continue during the 2025 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 during the 2023 fiscal year. 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 and members of the Company's senior management have from time-to-time made loans to 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 $3,516,000 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 operate and 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 the Initial Project, JV Projects (including the Dalhart, Olson and 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.**

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 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.

2. SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation:

The condensed 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.

The accompanying condensed consolidated financial statements have been prepared without audit pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). The condensed consolidated financial statements reflect all adjustments (consisting of only normal recurring entries) that, in the opinion of management, are necessary to present fairly the financial position at December 31, 2023, the results of operations and cash flows of the Company for the three and six months ended December 31, 2023 and 2022. Operating results for the three and six months ended December 31, 2023 are not necessarily indicative of the results that may be expected for the year ending June 30, 2024.

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 December 31, 2023 and June 30, 2023 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 condensed 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 condensed consolidated balance sheets and separately reports the amounts attributable to controlling and noncontrolling interests in the condensed 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 condensed 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.

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 three and six months ended December 31, 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:

	December 31, 2023	December 31, 2022
Warrants	23,905,539	20,660,031
Options	12,006,600	11,201,600
Convertible debt	9,754,772	11,010,012

The following is a reconciliation of the denominators of the basic and diluted income (loss) per share computations for the three and six months ended December 31, 2023 and 2022.

	Three months ended December 31, 2023	Three months ended December 31, 2022	Six months ended December 31, 2023	Six months ended December 31, 2022
Shares issued – beginning of period	49,485,556	44,303,654	48,880,237	43,758,820
Shares held by subsidiaries (Note 7)	(704,309)	(704,309)	(704,309)	(704,309)
Shares outstanding – beginning of period	48,781,247	43,599,345	48,175,928	43,054,511
Weighted average shares issued during the period	98,186	20,706	572,626	479,278
Diluted weighted average shares – end of period	48,879,433	43,620,051	48,748,554	43,533,789

Use of estimates:

In preparing the Company's condensed 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 condensed consolidated financial statements and assures that there are proper controls in place to ascertain that the Company's condensed consolidated financial statements properly reflect the change.

3. PROPERTY AND EQUIPMENT:

Property and equipment consist of the following:

		December 31, 2023		June 30, 2023
Computers and office equipment		15,156		15,156
Initial Project: construction in process		9,108,312		6,847,760
Property and equipment, gross		9,123,468		6,862,916
Less accumulated depreciation		(12,828)		(11,907)
Property and equipment, net	$	9,110,640	$	6,851,009

The 3G1 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 $238,540 and $98,104 for capitalized interest and $135,648 and $135,648 in non-cash compensation as of December 31, 2023 and 2022, respectively. On January 1, 2024 the Initial Project was deemed to have been 'placed in service' (Note 10).

Management has reviewed the remaining property and equipment for impairment as of December 31, 2023 and believes that no impairment exists.

Depreciation expense was $460 and $394 for the three months ended December 31, 2023 and 2022, respectively and $921 and $724 for the six months ended December 31, 2023 and 2022, respectively.

4. DEFERRED COMPENSATION:

The Company owes deferred compensation to various employees, former employees and consultants totaling $1,225,226 and $714,222 as of December 31, 2023 and 2022, respectively. Included in the deferred compensation balances as of December 31, 2023, are $255,000, $652,252 and $70,450 owed William O'Neill ("O'Neill"), the Company's CEO, Dominic Bassani ("Bassani"), the Company's recently deceased Chief Operating Officer (who was Chief Executive Officer for a decade through April 30, 2022) (NOTE: Dominic Bassani passed away on October 11, 2023.), and Mark A. Smith ("Smith"), the Company's President, respectively.

The sums owed to Bassani and Smith are owed 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 December 31, 2022 was $481,972.

O'Neill is owed balance of $255,000 and $80,000 at December 31, 2023 and 2022, respectively, pursuant to his 2021 employment agreement There is no interest accrual or conversion rights related to the deferred balance.

The Company also owes various consultants and an employee, pursuant to various agreements, for deferred compensation of $175,024 and $79,750 as of December 31, 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) "at market" and/or on the same terms as the Company is selling or has sold its securities in its then current (or most recent if there is no current) private placement. Smith also received the right to transfer future deferred compensation to his 2020 Convertible Obligation at his election but such right is no longer in force.

The Company recorded interest expense of $7,201 ($6,875 with related parties) and $4,873 ($4,345 with related parties) for the three months ended December 31, 2023 and 2022, respectively and $13,629 ($12,511 with related parties) and $9,424 ($8,464 with related parties) for the six months ended December 31, 2023 and 2022, respectively.

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 condensed 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 condensed 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 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.

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 Pennsylvania nutrient 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 condensed 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.

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:

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") (**NOTE**: Dominic Bassani passed away on October 11, 2023.) 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 and the adjusted portion of the September 2015 Convertible Notes were renamed Adjusted September 2015 Convertible Notes. The Adjusted 2020 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 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.

As of December 31, 2023, the Adjusted 2020 Convertible Obligation balances, including accrued interest, owed Bassani (and his donees), Smith and Edward Schafer were $450,361, $44,017 and $99,993, respectively. 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 December 31, 2023 the Adjusted September 2015 Convertible Notes balances, including accrued interest, owed Bassani Family Trusts and Schafer were $25,143 and $4,163, 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 conversion features based on the guidance of ASC 815-15 "Embedded Derivatives" to determine if there was an embedded derivative requiring bifurcation. An 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 derivative instrument are not "clearly and closely related" to the risks and rewards of the host instrument in which it is embedded. Management concluded that 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 December 31, 2023, the remaining unadjusted portion of the 2020 Convertible Obligation balances, including accrued interest, owed Bassani Family Trusts (and his donees) and Smith, were $367,660 and $118,732, respectively.
As of December 31, 2022, the 2020 Convertible Obligation balances, including accrued interest, owed Bassani Family Trusts, Smith and Schafer were $2,644,553, $1,388,421 and $508,352, respectively.

During the six months ended December, 2023, Smith elected to convert $91,548 of his Adjusted 2020 Convertible Obligation into 967,738 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 July 2026.

The Company recorded interest expense of $7,875 and $82,740 for the six months ended December 31, 2023 and 2022, respectively. The Company capitalized $26,559 and $66,104 related to the Initial Project for the six months ended December 31, 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") (NOTE: Dominic Bassani passed away on October 11, 2023. See Note 10) 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 December 31, 2023, including accrued interest owed Bassani, Schafer and Shareholder, are $186,725, $4,163 and $468,431, respectively. The balances of the September 2015 Convertible Notes as of December 31, 2022, including accrued interest, were $284,211, $21,173 and $453,314, respectively.

The Company recorded interest expense of $10,158 and $12,731 for the six months ended December 31, 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 Notes 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 December 31, 2023 the Adjusted September 2015 Convertible Notes balances, including accrued interest, owed Bassani Family Trusts and Schafer were $25,143 and $4,163, respectively. The debt modification was treated as an equity transaction because the modifications were with affiliates that are related parties. See above.

Convertible Bridge Loan/Default

On September 28, 2023 the Company entered into an agreement for a $1,500,000 Bridge Loan and executed documents including a convertible promissory note ("Note") and a binding subscription agreement ("Subscription") (collectively the Note and the Subscription are the "Bridge Loan Agreements") with SEB LLC, a non-affiliated party ("Lender"). The Bridge Loan Agreements require the Lender to loan the Company $1,500,000 in six monthly tranches of $250,000 commencing October 2023. All sums advanced under the Bridge Loan Agreements (and accrued interest thereon) would due and payable (with interest accrued at 9% per annum) on October 1, 2024 if not previously converted into securities of the Company. The Note is convertible at $1.00 per unit, at the sole election of the Lender, into units consisting of one share of the Company's Common Stock and a warrant to purchase one-half share. The initial $250,000 tranche was received by the Company on October 5, 2023. However, no further funds were received by the Company from the Lender. During early November 2023 the Lender informed the Company verbally that it did not intend to fulfill its obligations pursuant to the Bridge Loan Agreements and since such time the Lender has been in default ("Default"). The Default (which is continuing) has created substantial problems for and materially damaged the Company and rendered the Company unable to meet its current creditor obligations on a timely basis. The Company is currently evaluating its rights regarding the Default by the Lender. See Note 10.

The Company recorded interest expense of $5,407 and nil for the six months ended December 31, 2023 and 2022, respectively.

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 (then the Company's Chief Operating Officer)("Bassani") (NOTE: Dominic Bassani passed away on October 11, 2023.) 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 and the adjusted portion of the September 2015 Convertible Notes were renamed Adjusted September 2015 Convertible Notes. The Adjusted 2020 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 and $16,861 for the six months ended December 31, 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 December 31, 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 six months ended December 31, 2023, the Company entered into subscription agreements to sell 28,589 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 28,589 units for total proceeds of $45,742. See '**Warrants**' below.

During the six months ended December 31, 2023, the Company entered into subscription agreements to sell 75,000 units at a price of $1.00, 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 $1.25 per share with an expiry date of December 31, 2024, and pursuant thereto, the Company issued 75,000 units for total proceeds of $75,000. See '**Warrants**' below.

During the six months ended December 31, 2023, the Company entered into subscription agreements to sell 300,000 units at a price of $1.00, 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 $1.25 per share with an expiry date of December 31, 2024, and pursuant thereto, the Company issued 300,000 units for total proceeds of $300,000. See '**Warrants**' below.

During the six months ended December 31, 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.

During the six months ended December 31,2023, Smith elected to converted $91,548 of principal from his Adjusted 2020 Convertible note into 967,738 Units; each unit consisting of one share and one warrant with the exercise price of $.75 until July 21, 2026. Each of these warrants carry an exercise bonus of 75%.

During the six months ended December 31, 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.

During the six months ended December 31, 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.

During the six months ended December 31, 2023, the Company issued 2,000 shares of the Company's common stock to a consultant for services. The shares were issued at $1.16 per share for a total value of $2,320.

During the six months ended December 31, 2023, the Company issued 15,000 shares of the Company's common stock to a consultant for services. The shares were issued at $1.00 per share for a total value of $15,000.

During the six months ended December 31, 2023, the Company issued 21,506 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 $33,334.

During the six months ended December 31, 2023, the Company issued 265,639 shares of the Company's common stock upon cashless exercise of ____ outstanding warrants held by non-affiliates of the Company.

Warrants:

As of December 31, 2023, the Company had approximately 24 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 $0.64, and the weighted-average remaining contractual life as of December 31, 2023 is 1 years.

During the six months ended December 31, 2023, Smith elected to converted $91,548 of principal from his Adjusted 2020 Convertible note into 967,738 Units; each unit consisting of one share and one warrant with the exercise price of $.75 until July 21, 2026. Each of these warrants carry an exercise bonus of 75%.

During the six months ended December 31, 2023, the Company entered into subscription agreements to sell 28,589 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 28,589 units for total proceeds of $45,742. On September 26, the Company's Board of Directors, due to a misunderstanding related to a private placement (memorandum of March 2023) and the securities sold thereunder, adjusted the units sold in the offering by substituting 1,003,590 warrants with an exercise price of $1.25 per share for 501,795 previously issued warrants effective October 1, 2023.

During the six months ended December 31, 2023, the Company approved the modification of existing warrants held by brokers, which extended certain expiration dates. The modifications resulted in interest expenses of $135,207 and non-cash compensation of $15,000.

During the six months ended December 31, 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.
During the six months ended December 31, 2023, the Company issued 50,000 warrants to a consultant for services. The warrants were issued for a total value of $5,000.

During the six months ended December 31, 2023, the Company issued 265,639 shares of the Company's common stock upon cashless exercise of outstanding warrants held by non-affiliates of the Company.

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 $6,563 for the six months ended December 31, 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.

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 vested equally in thirds on March 20, 2023, June 20, 2023 and September 30, 2023.

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 $107,487 and nil for the six months ended December 31, 2023 and 2022, respectively. The Company granted nil and nil options for the six months ended December 31, 2023 and 2022, respectively.

A summary of option activity under the 2006 Plan for six months ended December 31, 2023 is as follows:

	Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life	Aggregate Intrinsic Value
Outstanding at July 1, 2023	12,006,600	$ 0.85	1.83	$ 5,085,659
Granted	—	—		
Exercised	—	—		
Forfeited	—	—		
Expired	—	—		
Outstanding at December 31, 2023	12,006,600	$ 0.85	1.32	$ 1,778,547

The total fair value of stock options that vested during the six months ended December 31, 2023 and 2022 was nil and nil, respectively. As of December 31, 2023, the Company had no unrecognized compensation cost related to stock options.

8. SUBSCRIPTION RECEIVABLE - AFFILIATES:

As of December 31, 2023, the Company has three interest bearing, secured promissory notes with an aggregate principal amount of $428,250 ($526,142, 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 December 31, 2023, the Company has an interest bearing, secured promissory note for $30,000 ($36,487 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 original principal ($37,157 including interest) of Smith's 2020 Convertible Obligations. The secured promissory note is payable on July 1, 2024.

As of December 31, 2023, the Company has two interest bearing, secured promissory notes with an aggregate principal amount of $46,400 ($57,790 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:

A: 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 of his monthly compensation to help the Company conserve cash. For the three months ended December 31, 2023 and 2022, Smith was paid $5,000 and $60,000, respectively, of cash compensation. For the six months ended December 31, 2023 and 2022, Smith was paid $20,000 and $100,000, respectively, of cash compensation.

Since March 31, 2005, the Company has had various agreements with Dominic Bassani (and/or Brightcap which provided his services during some of the years) **(NOTE: Dominic Bassani passed away on October 11, 2023.**) who was serving as the Company's Chief Operating Officer ('COO') at the time of his passing and formerly served as the Company's Chief Executive Officer ('CEO') for the prior decade (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 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 warrants to purchase 3,000,000 shares of the Company's restricted common stock, which warrants are exercisable at $0.60 and have expiry dates of June 30, 2025. The promissory note is secured by a portion of Bassani's 2020 Convertible Obligations and as of June 30, 2023, the principal and accrued interest was $364,490. For the three months ended December 31, 2023 and 2022, Brightcap was paid $5,000 and $75,500, respectively, of cash compensation.

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. (Upon the hiring of O'Neill, 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 until his recent death. Bassani's compensation arrangements with the Company were not 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 is deferring all of his monthly compensation to help the Company conserve cash. For the three months ended December 31, 2023 and 2022, O'Neill and the entity affiliated with O'Neill were paid $42,500 and $75,000, respectively, of cash compensation.

B: 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 at least three business days before the end of the expiration 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 December 31, 2023, exercise price adjustment provisions ranging from 50-90% were applicable to 11,771,600 of the Company's outstanding options and 20,415,408 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% exercise price adjustments if the terms set forth therein are met.

C: Initial Project:

On January 28, 2022 Bion Environmental Technologies, Inc. ('Bion'), on behalf of Bion 3G1 LLC ('3G1'), 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 December 31, 2023 the Company has incurred additional costs of 6,442,812 on the Initial Project for capitalized interest and costs, non-cash compensation, equipment and consulting fees. $6,983,954 has been paid and $1,750,170 has been billed and not yet paid.

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. 3G1 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 $8,177,452 on the Initial Project, not including capitalized labor and interest.

The Initial Project was deemed to have been 'placed in service' on January 1, 2024 (Note 10).

D: 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 December 31, 2023:

From January 2024 to December 2024	75,000
Undiscounted cash flow	75,000
Less imputed interest	(3,909)
Total	71,091

The weighted average remaining lease term and discounted rate related to the Company's lease liability as of December 31, 2023 were 1 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.

E: Litigation (and related matters):

1) 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 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 <biontech.com> …." under the heading 'Bion Environmental Technologies, Inc., Plaintiff, vs John Doe and <biontech.com>, Defendants' (Case No. 1:21-cv-01034). The Company has moved the domain name <biontech.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.

2) 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.

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 Pennsylvania nutrient 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**.**

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.

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.

3) 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.

4) Bridge Loan/Default

On September 29, 2023 the Company entered into an agreement for a $1,500,000 Bridge Loan and executed documents including a convertible promissory note ("Note") and a binding subscription agreement ("Subscription") (collectively the Note and the Subscription are the "Bridge Loan Agreements") with SEB LLC, a non-affiliated party ("Lender"). The Bridge Loan Agreements require the Lender to loan the Company $1,500,000 in six monthly tranches of $250,000 commencing October 2023. All sums advanced under the Bridge Loan Agreements (and accrued interest thereon) would due and payable (with interest accrued at 8% per annum) on October 1, 2024 if not previously converted into securities of the Company. The Note is convertible at $1.00 per unit, at the sole election of the Lender, into units consisting of one share of the Company's Common Stock and a warrant to purchase one-half share. The initial $250,000 tranche was received by the Company on October 5, 2023. However, no further funds were received by the Company from the Lender. During early November 2023 the Lender informed the Company verbally that it did not intend to fulfill its obligations pursuant to the Bridge Loan Agreements and since such time the lender has been in default ("Default"). The Default (which is continuing) has created substantial problems for and materially damaged the Company and rendered the Company unable to meet its current creditor obligations on a timely basis. The Company is currently evaluating its rights regarding the Default by the Lender.

10. SUBSEQUENT EVENTS:

The Company is in discussion/negotiation with its largest creditor--the primary contractor on the Initial Project-- and anticipates reaching agreement regarding payment of its accrued obligations during the current quarter. The Company is also involved in discussions and negotiations with other creditors.

On January 1, 2024 the Initial Project was 'placed into service' with a total capitalized cost of $9,108,312. During the current quarter the Company will commence depreciation of this asset.

On January 1, 2024, Smith elected to convert the $49,403 remaining balance of his Adjusted 2020 Convertible note into 522,231 units (each unit consisting of one share and one warrant with the exercise price of $.75 until July 21, 2026). Smith made gifts/donations of 122,231 units and 200,000 to his spouse.

On January 18, 2024, the Company entered into a subscription agreement to sell 10,000 units at a price of $1.00, 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 $1.25 per share with an expiry date of December 31, 2024, and pursuant thereto, the Company issued 10,000 units for total proceeds of $10,000.

From January 1, 2024 to February 13, 2024, the Company issued 3,307,516 shares of the Company's common stock upon cashless exercise of outstanding warrants held by non-affiliates of the Company.

From January 1, 2024 to February 13, 2024, the Company issued 2,439,428 shares of the Company's common stock upon cashless exercise of outstanding warrants held by Mark Smith (which includes 700,062 by his wife.)

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Statements made in this Form 10-Q that are not historical or current facts, which represent the Company's expectations or beliefs including, but not limited to, statements concerning the Company's operations, performance, financial condition, business strategies, and other information, involve substantial risks and uncertainties. The Company's actual results of operations, most of which are beyond the Company's control, could differ materially. These statements often can be identified by the use of terms such as "may," "will," "expect," "believe," anticipate," "estimate," or "continue" or the negative thereof. 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 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 AND PROJECTS 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.

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 Condensed Consolidated Financial Statements and Notes to Condensed Consolidated Financial Statements filed with this Report.

BUSINESS OVERVIEW AND PLAN

THE COMPANY HAS BEEN UNDER SUBSTANTIAL FINANCIAL AND MANAGEMENT STRESS OF THE PAST SIX MONTHS (AND THE CURRENT QUARTER TO DATE) DUE TO THE RECENT DEATH (FOLLOWING EXTENDED ILLNESS) OF DOMINIC BASSANI (WHO MOST RECENTLY SERVED AS OUR COO (FROM MAY 2022) AFTER SERVING AS OUR CEO FOR THE PRIOR DECADE) AND DIFFICULTIES IN RAISING NEEDED FUNDS (WHICH RE-EMERGED LATE IN THE 2023 FISCAL YEAR AND HAS CONTINUED). THE COMPANY IS FACING INCREASED CAPITAL NEEDS AND THE NEED TO TRANSITION TO A YOUNGER MANAGEMENT TEAM (MARK A. SMITH, THE COMPANY'S PRESIDENT AND GENERAL COUNSEL PROVIDED NOTICE DURING EARLY 2023 OF HIS INTENT TO PHASE OUT HIS MANAGEMENT ROLES EARLY THIS CALENDAR YEAR). THESE ITEMS HAVE BEEN PREVIOUSLY DISCLOSED BUT THE COMPANY BELIEVES IT IS IMPORTANT TO FEATURE THEM 'UPFRONT' AT THIS POINT.

PLEASE NOTE:

A: 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. Current liabilities were approximately $4.2 million and $1.6 million at December 31, 2023 and 2022, respectively. There was an increase of approximately $2.6 million (which was largely due to an increase in 'accounts payable and accrued expenses' totaling approximately $2.0 million and an increase in 'deferred compensation' of approximately $.35 million as a result of the Company's limited success in raising new financing (equity and/or debt) during the recent period combined with continued expenses (including those related to the Initial Project). **See NOTE 1, "Going Concern and Management's Plans" above and "Plan of Operations and Outlook" below.**

B: On September 28, 2023 the Company entered into an agreement for a $1,500,000 bridge loan and executed documents including a convertible promissory note ("Note") and a binding subscription agreement ("Subscription") (collectively the Note and the Subscription are the "Bridge Loan Agreements") with SEB LLC, a non-affiliated party ("Lender"). The Bridge Loan Agreements require the Lender to loan the Company $1,500,000 in six monthly tranches of $250,000 commencing October 2023. All sums advanced under the Bridge Loan Agreements (and accrued interest thereon) would due and payable (with interest accrued at 8% per annum) on October 1, 2024 if not previously converted into securities of the Company. The Note is convertible at $1.00 per unit, at the sole election of the Lender, into units consisting of one share of the Company's common stock and a warrant to purchase one half share. The initial $250,000 tranche was received by the Company on October 5, 2023. However, no further funds were received by the Company from the Lender. During early November 2023 the Lender informed the Company verbally that it did not intend to fulfill its obligations pursuant to the Bridge Loan Agreements and since such time the Lender has been in default ("Default"). The Default (which is continuing) has created substantial problems for and materially damaged the Company and rendered the Company unable to meet its current creditor obligations on a timely basis. The Company is currently evaluating its rights regarding the Default by the Lender. This situation has contributed to the substantial increase in the Company's 'Current Liabilities' including 'accounts payable' over recent periods. **See Consolidated Financial Statements** (above) and **'Management's Discussion and Analysis'** (below). The Company is in discussion/negotiation with its larger creditors (including its largest creditor--- the primary contractor on the Initial Project) and anticipates reaching agreements re payments during the current quarter (or soon thereafter).

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").

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.

During the first half of calendar 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 our 2023 fiscal year, Bion entered into three (3) letters of intent ("LOIs"): a) July 2022 letter of intent to develop a large-scale commercial project - a 15,000-head sustainable beef cattle feeding operation together with the Ribbonwire Ranch ("Ribbonwire LOI"), in Dalhart, Texas (with a provision to expand to 60,000 head) ("Dalhart Project"), (b) January 2023 letter of intent to develop a large-scale commercial project - a 15,000-head sustainable beef cattle feeding operation together with the Olson Feeders and TD Angus ("Olson LOI"), near North Platte, Nebraska (with a provision to expand to 45,000 head or more) ("Olson Project") and c)April 2023 letter of intent to develop a large-scale commercial project - a 15,000-head sustainable beef cattle feeding operation together with Dakota Valley Growers ("DVG LOI") near Bathgate, North Dakota ("DVG Project"). The Company is in discussions with additional parties regarding potential further LOIs. 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 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 tone or more of these LOIs into definitive JV agreements and creating related distribution agreements with key retailers and food service distributors during the current calendar year.

During the 2023 calendar year, 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. The Initial Project has been deemed 'placed in service' effective January 1, 2024. Operating results to date at Fair Oaks indicate ARS performance will exceed initial expectations for ammonia recovery and related economics. The Company recently announced that we have achieved key objectives in the optimization of its ARS and will now begin the final design process for full-scale systems based on results to date (and testing over the remainder of this fiscal year) at the Initial Project. 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). Final economic and energy efficiency models will be validated during the final design process. The Company intends to engage a third party engineering firm during the next quarter to prepare a third-party evaluation of the ARS while also moving forward on final commercial design process.

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. During the last three (3) months,, the Company has produced ammonium distillate and ammonium bicarbonate solutions at the Initial Project in several concentrations and plans to initiate the application process for organic certification for each concentration of liquid fertilizer product. Multiple applications to OMRI (Organic Materials Review Institute) and CDFA (California Department of Food and Agriculture) are being prepared for listing/certification of new organic products. Bion received an OMRI-Listing in 2020 for its initial product. Bion will continue producing liquid and crystal fertilizers at the Initial Project to support testing and life-cycle analysis, product trials, and ongoing organic initiatives. 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.

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.

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 one or more 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 the 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).

Note that Bion recently announced its intention to establish strategic partnerships to market the ARS as a stand-alone addition to anaerobic digestion ("AD") nitrogen control solution in two sectors:

A) **INDUSTRIAL AND MUNICIPAL WASTEWATER.** AD is now used at 1,269 water resource recovery facilities in the U.S., with another 102 stand-alone systems that digest food waste. The American Biogas Council estimates an additional 8,600 sites with development potential. Germany, by comparison, has almost 10,000 operating AD sites. In the U.S., wastewater and AD digestate from industrial and municipal sources is already regulated for ammonia and nitrates. The EPA recently proposed tougher standards for slaughter facilities. Bion believes ARS ammonia treatment costs will be competitive in these markets and that its unique premium fertilizer byproducts will create an advantage, especially with waste streams that are still considered 'organic', like slaughter and food waste.

B) **ANIMAL WASTE.** According to the American Biogas Council here are 473 animal waste digesters operating in the U.S. today, most on dairy operations. The American Biogas Council and USDA's AgSTAR program estimate more than 8,000 additional sites with development potential. The ARS was designed specifically for this purpose: control ammonia from livestock waste and produce the highest value byproducts with it. Digestate from animal waste AD has enjoyed the same reduced regulatory requirements as land applying raw manure. Recent trends in Michigan and California indicate they will treat animal waste digestate as any industrial source, subject to groundwater permitting requirements. Bion believes its proven technology and value-added fertilizers will give it a significant competitive advantage in this evolving market.

Bion is now focused primarily on: i) operation and further testing at the Initial Project, our initial commercial-scale Gen3Tech installation, for support of design/feasibility studies/reports related to our initial JV Projects (and further 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), (v) exploring JVs re stand-alone ARS markets, while (vi) 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-six 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-four (3-4) years (end of 2028) and 25% in five-six (5-6) years (end of 2029-30) (approximately 6-7,000,000 cattle annually) (and more thereafter).

Based on these trends, Bion has set an aspirational target---which will require that Bion can successfully execute on its sustainable beef business plan (**which is subject to many contingencies —including raising extremely large amounts of project financing for its JVs and the acquisition of adequate senior and operating management personnel to implement the business plan—and is not assured)**. We believe that facilities utilizing Bion's Gen3Tech platform will potentially 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 2025-6. Our first commercial project is likely to be one of our current LOI Projects (however, a different project might move to the foreground) with the target of commencing development of an initial sustainable beef project during the current calendar year. 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 2024-5 in three (3) different JVs with the initial barns being populated with livestock during 2025-6. 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 2026-7 (approximately 2%-3% of the US beef market) and 30-45 Modules constructed and being populated by 2029-30 (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).

During this 5-6 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 Notes to the Financial Statements (particularly Notes 1, 3, 5 and 9) included in this report and Item 1 in our annual report on Form 10-K.

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 September 30, 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.

THREE MONTHS ENDED DECEMBER 31, 2023 COMPARED TO THE THREE MONTHS ENDED DECEMBER 31, 2022

Revenue

Total revenues were nil for both the three months ended December 31, 2023 and 2022.

Current Liabilities

Current liabilities were approximately $4.2 million and $1.6 million at December 31, 2023 and 2022, respectively. There was an increase of approximately $2.6 million (which was largely due to an increase in 'accounts payable and accrued expenses' totaling approximately $2.0 million and an increase in 'deferred compensation' of approximately $.35 million) as a result of the Company's limited success in raising new financing (equity and/or debt) during the recent period combined with continued expenses (including those related to the Initial Project).

General and Administrative

General and Administrative

Total general and administrative expenses were $636,000 and $631,000 for the three months ended December 31, 2023 and 2022, respectively.

Salaries and related payroll tax expenses were $161,000 and $176,000 for the three months ended December 31, 2023 and 2022, respectively. Consulting costs were $168,000 and $101,000 for the three months ended December 31, 2023 and 2022, respectively. The $67,000 increase in consulting costs is due an increase in activity with outside consultants during the second quarter. Investor relations expenses were $76,000 and $174,000 for the three months ended December 31, 2023 and 2022, respectively, and the $98,000 decrease was due to less investor related activity during the second quarter in order to conserve cash. Legal costs were $7,000 and $23,000 for the three months ended December 31, 2023 and 2022, respectively.

Stock-based compensation for the three months ended December 31, 2023 and 2022 were $67,000 and nil, respectively.

Depreciation

Total depreciation expense was $461 and $394 for the three months ended December 31, 2023 and 2022, respectively.

Research and Development

Total research and development expenses were $7,000 and $15,000 for the three months ended December 31, 2023 and 2022, respectively, representing an $8,000 decrease was due to less consulting expense being allocated to research and development.

Salaries and related payroll tax expenses were $1,000 and $3,000 for the three months ended December 31, 2023 and 2022, respectively. Consulting costs were $1,000 and $10,000 for the three months ended December 31, 2023 and 2022, respectively. The decrease of $9,000 was due to a smaller portion of Brightcap's consulting cost being allocated to research and development.

Loss from Operations

As a result of the factors described above, the loss from operations was $644,000 and $646,000 for the three months ended December 31, 2023 and 2022 respectively.

Other Expense

Other expense was $75,000 and $84,000 for the three months ended December 31, 2023 and 2022, respectively.

Interest expense related to deferred compensation, loan payable and convertible notes prior to capitalization was $91,000 and $121,000 for the three months ended December 31, 2023 and 2022, respectively. The decrease of $30,000 is due to debt modifications and reduction of principal balances.

Net Loss Attributable to the Noncontrolling Interest

The net loss attributable to the noncontrolling interest was nil and nil for the three months ended December 31, 2023 and 2022, respectively.

Net Loss Attributable to Bion's Common Stockholders

As a result of the factors described above, the net loss attributable to Bion's stockholders was $719,000 and $730,000 for the three months ended December 31, 2023 and 2022, respectively, and the net loss per basic common share was $.01 and $.02 for the three months ended December 31, 2023 and 2022, respectively.

SIX MONTHS ENDED DECEMBER 31, 2023 COMPARED TO THE SIX MONTHS ENDED DECEMBER 31, 2022

Revenue

Total revenues were nil for both the six months ended December 31, 2023 and 2022.

General and Administrative

Total general and administrative expenses were $1,302,000 and $1,497,000 for the six months ended December 31, 2023 and 2022, respectively.

Salaries and related payroll tax expenses were $327,000 and $347,000 for the six months ended December 31, 2023 and 2022, respectively. Consulting costs were $354,000 and $219,000 for the six months ended December 31, 2023 and 2022, respectively. The $135,000 increase in consulting costs is due an increase in activity with outside consultants during the first and second quarter. Investor relations expenses were $122,000 and $422,000 for the six months ended December 31, 2023 and 2022, respectively, and the $300,000 decrease was due to less investor related activity during the first and second quarters in order to conserve cash. Legal costs were $15,000 and $32,000 for the six months ended December 31, 2023 and 2022, respectively.

Stock-based compensation for the six months ended December 31, 2023 and 2022 were $129,000 and nil, respectively.

Depreciation

Total depreciation expense was $921 and $724 for the six months ended December 31, 2023 and 2022, respectively.

Research and Development

Total research and development expenses were $16,000 and $44,000 for the six months ended December 31, 2023 and 2022, respectively, representing a $28,000 decrease was due to less consulting expense being allocated to research and development.

Salaries and related payroll tax expenses were $3,000 and $6,000 for the six months ended December 31, 2023 and 2022, respectively. Consulting costs were $4,000 and $26,000 for the six months ended December 31, 2023 and 2022, respectively. The decrease of $22,000 was due to a smaller portion of Brightcap's consulting cost being allocated to research and development. Legal expenses were $7,000 and $5,000 for the six months ended December 31, 2023 and 2022, respectively.

Loss from Operations

As a result of the factors described above, the loss from operations was $1,319,000 and $1,541,000 for the six months ended December 31, 2023 and 2022 respectively.

Other Expense

Other expense was $145,000 and $108,000 for the six months ended December 31, 2023 and 2022, respectively. The increase of $37,000 was a result of a greater interest expense for warrant modifications.

Interest expense related to deferred compensation, loan payable and convertible notes prior to capitalization was $172,000 and $177,000 for the six months ended December 31, 2023 and 2022, respectively.

Net Loss Attributable to the Noncontrolling Interest

The net loss attributable to the noncontrolling interest was nil and nil for the six months ended December 31, 2023 and 2022, respectively.

Net Loss Attributable to Bion's Common Stockholders

As a result of the factors described above, the net loss attributable to Bion's stockholders was $1,464,000 and $1,649,000 for the six months ended December 31, 2023 and 2022, respectively, and the net loss per basic common share was $.03 and $.04 for the six months ended December 31, 2023 and 2022, respectively.

LIQUIDITY AND CAPITAL RESOURCES

The Company's condensed consolidated financial statements for the six months ended December 31, 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.

Current Liabilities

Current liabilities were approximately $4.2 million and $1.6 million at December 31, 2023 and 2022, respectively. There was an increase of approximately $2.6 million (which was largely due to an increase in 'accounts payable and accrued expenses' totaling approximately $2.0 million and an increase in 'deferred compensation' of approximately $.35 million) largely as a result of the Company's limited success in raising new financing (equity and/or debt) during the recent period combined with continued expenses (including those related to the Initial Project).

Operating Activities

As of December 31, 2023, the Company had cash of approximately $385,000. During the six months ended December 31, 2023, net cash used in operating activities was $451,000, 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 six months ended December 31, 2023, the Company invested $484,000 in the purchase of property and equipment, primarily related to the Initial Project construction in process.

Financing Activities

During the six months ended December 31, 2023, the Company received gross cash proceeds of $415,000 from subscription agreements of $421,000 less commissions of $6,000.

During the six months ended December 31, 2023, the Company entered into subscription agreements to sell 28,589 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 28,589 units for total proceeds of $45,742.

During the six months ended December 31, 2023, the Company entered into subscription agreements to sell 75,000 units at a price of $1.00, 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 $1.25 per share with an expiry date of December 31, 2024, and pursuant thereto, the Company issued 75,000 units for total proceeds of $75,000.

During the six months ended December 31, 2023, the Company entered into subscription agreements to sell 300,000 units at a price of $1.00, 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 $1.25 per share with an expiry date of December 31, 2024, and pursuant thereto, the Company issued 300,000 units for total proceeds of $300,000.
During the six months ended December 31, 2023, the Company received gross cash proceeds of $28,500 from the exercise of 38,000 warrants to purchase 38,000 shares of the Company's common stock at $0.75 per share.

During the six months ended December 31, 2023, the Company received gross cash proceeds of $250,000 from a convertible bridge loan.

As of December 31, 2023, the Company has debt obligations consisting of: a) deferred compensation of $1,225,000, b) convertible notes payable – affiliates of $1, 740,000, and c) current note payable including accrued interest of $255,000

Plan of Operations and Outlook

As of December 31, 2023, the Company had cash of approximately $385,000.

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 (as a whole), 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 and second quarters of the current fiscal year (and the third quarter through the date of this report). 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 substantial additional funds in the upcoming periods. The Company has faced 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 and members of the Company's senior management have from time-to-time made loans to the Company in the past and may do so in future periods.** 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 the six months ended December 31, 2023 and 2022 the Company received total proceeds of approximately $443,000 and $602,000, respectively, from the sale of its debt and equity securities. During the six months ended December 31, 2023 the Company received proceeds of $250,000 from a convertible bridge loan **but the provider of the bridge loan during November 2023 (and on an ongoing basis since such time) breached its contractual obligation/binding subscription agreement to fund an additional $1,250,000 to the Company, which breach (combined with management stresses related to the final illness and passing of Dominic Bassani, Bion's COO and former CEO, and required management transitions) has created substantial cash flow difficulties for the Company which are ongoing. See Notes 6 and 9 Bridge Loan/Default.** During the current quarter, the Company has entered into discussions/negotiations with its largest creditor that have resulted in an agreement regarding repayment terms. Related discussions are taking place with other creditors. **See Note 10 Subsequent Events.**

The Company anticipates substantial increases in demand for capital and operating expenditures for the balance of fiscal year 2024 (and we anticipate such increased demands will continue during the 2025 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 management and operating 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 during the 2023 fiscal year. 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 and members of the Company's senior management have from time-to-time made loans to 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 $3,516,000 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 operate and 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 the Initial Project, JV Projects (including the Dalhart, Olson and 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.

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 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.

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 December 31, 2023:

From January 2024 to December 2024	75,000
Undiscounted cash flow	75,000
Less imputed interest	(3,909)
Total	71,091

The weighted average remaining lease term and discounted rate related to the Company's lease liability as of December 31, 2023 were 1 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 3. Quantitative and Qualitative Disclosures About Market Risk.

Not applicable.

Item 4. Controls and Procedures.

(a) Evaluation of Disclosure Controls and Procedures.

The term "disclosure controls and procedures" is defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). This term refers to the controls and procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files under the Exchange Act is recorded, processed, summarized, and reported within the required time periods. Our Chief Executive Officer and Principal Financial Officer has evaluated the effectiveness of the design and operations of our disclosure controls and procedures as of the end of the period covered by this quarterly report, and has concluded that, as of that date, our disclosure controls and procedures were not effective at ensuring that required information will be disclosed on a timely basis in our reports filed under the Exchange Act, as a result of the material weakness in internal control over financial reporting discussed in Item 9(A) of our Form 10-K for the year ended June 30, 2023.

(b) Changes in Internal Control over Financial Reporting.

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

The Company is not currently involved (and has not been involved in recent periods) in any litigation matters except:

A:<u>Website: Domain Sale/Resolved Litigation/Hacking/Theft</u>

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 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 <biontech.com> …." under the heading 'Bion Environmental Technologies, Inc., Plaintiff, vs John Doe and <biontech.com>, Defendants' (Case No. 1:21-cv-01034). The Company has moved the domain name <biontech.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 to short term 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: 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 condensed 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 condensed 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 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.

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 Pennsylvania nutrient 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 condensed 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.

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.

C: 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 at Signature Bank 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.

D: Convertible Bridge Loan/Default

On September 28, 2023 the Company entered into an agreement for a $1,500,000 bridge loan and executed documents including a convertible promissory note ("Note") and a binding subscription agreement ("Subscription") (collectively the Note and the Subscription are the "Bridge Loan Agreements") with SEB LLC, a non-affiliated party ("Lender"). The Bridge Loan Agreements require the Lender to loan the Company $1,500,000 in six monthly tranches of $250,000 commencing October 2023. All sums advanced under the Bridge Loan Agreements (and accrued interest thereon) would due and payable (with interest accrued at 8% per annum) on October 1, 2024 if not previously converted into securities of the Company. The Note is convertible at $1.00 per unit, at the sole election of the Lender, into units consisting of one share of the Company's common stock and a warrant to purchase one half share. The initial $250,000 tranche was received by the Company on October 5, 2023. However, no further funds were received by the Company from the Lender. During early November 2023 the Lender informed the Company verbally that it did not intend to fulfill its obligations pursuant to the Bridge Loan Agreements and since such time the Lender has been in default ("Default"). The Default (which is continuing) has created substantial problems for and materially damaged the Company and rendered the Company unable to meet its current creditor obligations on a timely basis. The Company is currently evaluating its rights regarding the Default by the Lender. **See Notes re Bridge Loan/Default.**

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

Item 1A. Risk Factors.

Not applicable.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

During the quarter ended December 31, 2023, the Company sold the following restricted securities: a) 375,000 units at $1.00 per unit consisting of one share of the Company's restricted common stock and ½ warrant to purchase one share of the Company's restricted common stock at $1.25 until December 31, 2024 and received gross proceeds of $375,000 and b) 449,261 shares were issued pursuant to our 2006 Consolidated Incentive Plan ("Plan") upon the conversion of debt and c) 265,639 shares were issued when 321,554 warrants were exercised (using the "cashless exercise" provision of the warrants) and d) 36,506 shares were issued for consulting services.

Item 3. Defaults Upon Senior Securities.

Not applicable.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

Not applicable.

Item 6. Exhibits.

(a) Exhibits required by Item 601 of Regulation S-K.

Exhibit No.	Description	Incorporated by Reference Form	Exhibit	Filing Date	Filed/Furnished Herewith
31.1*	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act				X
31.2*	Certification of Principal Accounting Officer pursuant to Section 302 of the Sarbanes-Oxley Act				X
32.1**	Certification of Principal Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act				X
32.2**	Certification of Principal Accounting Officer Pursuant to Section 906 of the Sarbanes-Oxley Act				X
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.				X
101.SCH*	Inline XBRL Taxonomy Extension Schema Document				X
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document				X
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document				X
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document				X
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document				X

104*	Inline XBRL for the cover page of this Quarterly Report on Form 10-Q, included in the Exhibit 101 Inline XBRL Document Set.	X

* Filed herewith.

**Furnished herewith.

SIGNATURES

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

BION ENVIRONMENTAL TECHNOLOGIES, INC.

Date: February 14, 2024	By:	***/s/ Mark A. Smith***
		Mark A. Smith, President and Chief Financial Officer (Principal Financial and Accounting Officer)
Date: February 14, 2024	By:	***/s/ William O'Neill***
		William O'Neill, Chief Executive Officer

Exhibit 31.1

SECTION 302 CERTIFICATION

I, William O'Neill, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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: February 14, 2024

/s/ William O'Neill
William O'Neill
Chief Executive Officer

Exhibit 31.2

SECTION 302 CERTIFICATION

I, Mark A. Smith, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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: February 14, 2024

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

Exhibit 32.1

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

In connection with the Form 10-Q of Bion Environmental Technologies, Inc., a company duly formed under the laws of Colorado (the "Company"), for the quarter ended December 31, 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.

February 14, 2024

/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.

Exhibit 32.2

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

In connection with the Form 10-Q of Bion Environmental Technologies, Inc., a company duly formed under the laws of Colorado (the "Company"), for the period ended December 31, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Mark A. Smith, President (Executive Chairman) and Interim 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: February 14, 2024

/s/ Mark A. Smith
Mark A. Smith
Executive Chairman, President and
Interim 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.