

BOON INDUSTRIES, INC.

FORM 10-Q (Quarterly Report)

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

FORM 10-Q

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

For the quarterly period ended March 31, 2022.

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

For the transition period from _____ to _____

Commission file number: 000-56325

BOON INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

Oklahoma

(State or other jurisdiction of
incorporation or organization)

84-5079920

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

110 Spring Hill Road #16, Grass Valley, California 95945

(Address of principal executive offices) (Zip Code)

(530) 648-1333

(Registrant's telephone number, including area code)

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

Securities registered pursuant to Section 12(g) of the Securities Exchange Act of 1934:

Common stock, par value \$0.0001

(Title of class)

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

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

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

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

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

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

As of May 10, 2022, the registrant had 1,866,754,361 shares of common stock, \$0.0001 par value per share, outstanding.

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PART I — FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

Boon Industries, Inc.
Consolidated Balance Sheets
As of March 31, 2022 (unaudited), and December 31, 2021

	March 31, 2022	December 31, 2021
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 2,675	\$ 23,360
Accounts receivable	3,240	16,693
Inventory	12,358	8,403
Prepaid expenses and other assets	55,648	78,648
Total Current Assets	73,921	127,104
Property and equipment, net	99,659	88,264
Capitalized licensing fees, net	1,875,000	2,025,000
TOTAL ASSETS	\$ 2,048,580	\$ 2,240,368
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 143,109	\$ 113,298
Convertible notes payable, net of discount	1,151,754	949,063
Loans payable	110,000	110,000
Accrued interest	175,459	135,057
Derivative liability	3,667,962	928,198
Related party liabilities	579,652	497,168
Series A Preferred Liability: \$0.0001 par value; 20,000,000 shares authorized, 6,725,213 and 6,889,410 shares issues and outstanding at March 31, 2022, and December 31, 2021, respectively	67,252,130	68,894,100
Total Current Liabilities	73,080,066	71,626,884
Total Non-Current Liabilities	—	—
Total Liabilities	73,080,066	71,626,884
Commitments and contingencies (note 10)		
STOCKHOLDERS' DEFICIT		
Preferred stock, Series B: \$0.0001 par value; 1,000 shares authorized 1,000 shares issued and outstanding at March 31, 2022, and December 31, 2021		
	—	—
Common stock, \$0.0001 par value; 30,000,000,000 shares authorized 1,438,186,504 and 400,511,582 shares issued and outstanding at March 31, 2022, and December 31, 2021, respectively.	143,819	40,051
Stock Payable	400,000	250,000
Additional paid in capital	(55,821,637)	(58,490,434)
Accumulated deficit	(15,753,668)	(11,186,133)
Total Stockholders' Deficit	(71,031,486)	(69,386,516)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT	\$ 2,048,580	\$ 2,240,368

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

Boon Industries, Inc.
Consolidated Statements of Operations
For the Three Months Ended March 31, 2022, and 2021
(unaudited)

	March 31, 2022	March 31, 2021
Sales	\$ 25,451	\$ 20,236
Cost of sales	8,285	12,115
Gross profit	17,166	8,121
Operating expenses		
Depreciation	3,519	2,750
General and administrative expenses	140,691	113,035
Stock-based compensation	175,000	—
Licensing fees	150,000	150,000
Professional fees	46,823	16,364
Salaries and wages	90,500	90,500
Total operating expenses	606,533	372,649
Loss from operations	(589,367)	(364,528)
Other income (expense)		
Change in fair value of derivative liability	(2,479,279)	1,904,288
Loss on Series A conversion	(1,130,595)	(709,933)
Interest expense, net	(368,294)	(225,881)
Total other expense	(3,978,168)	968,474
Net loss before income taxes	(4,567,535)	603,946
Income tax expense	—	—
Net loss	\$ (4,567,535)	\$ 603,946
Weighted average number of common shares outstanding, basic and diluted	887,878,849	48,090,149
Basic and diluted net loss per common share	\$ (0.01)	\$ 0.01

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

Boon Industries, Inc.
Statement of Stockholders' Deficit
For the Three Months Ended March 31, 2022, and 2021
(Unaudited)

	Preferred Stock Series A		Preferred Stock Series B		Common Stock		Additional Paid-In Capital	Stock Payable	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount	Shares	Amount				
Balance at December 31, 2021	—	\$ —	1,000	\$ —	400,511,582	\$ 40,051	\$ (58,490,434)	250,000	\$ (11,186,133)	\$ (69,386,516)
Shares of common stock issued pursuant to conversion preferred stock	—	—	—	—	1,037,674,922	103,768	2,668,797	—	—	2,772,565
Preferred stock issuable pursuant to consulting and director agreements	—	—	—	—	—	—	—	150,000	—	150,000
Net loss	—	—	—	—	—	—	—	—	(4,567,535)	(4,567,535)
Balance at March 31, 2022	—	\$ —	1,000	\$ —	1,438,186,504	\$ 143,819	\$ (55,821,637)	400,000	\$ (15,753,668)	\$ (71,031,486)
	Preferred Stock Series A		Preferred Stock Series B		Common Stock		Additional Paid-In Capital	Stock Payable	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount	Shares	Amount				
Balance at December 31, 2020	—	\$ —	1,000	\$ —	42,072,603	\$ 4,207	\$ (191,388,001)	—	\$ (5,316,107)	\$ (196,699,901)
Preferred stock cancelled	—	—	—	—	—	—	125,025,000	—	—	125,025,000
Shares of common stock issued pursuant to conversion preferred stock	—	—	—	—	15,092,546	1,509	2,450,343	—	—	2,451,852
Net Income	—	—	—	—	—	—	—	—	603,946	603,946
Balance at March 31, 2021	—	\$ —	1,000	\$ —	57,165,149	\$ 5,716	\$ (63,912,658)	—	\$ (4,712,161)	\$ (68,619,103)

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

Boon Industries, Inc.
Statements of Cash Flows
For the Three Months Ended March 31, 2022, and 2021
(Unaudited)

	March 31, 2022	March 31, 2021
Cash flows from operating activities:		
Net loss	\$ (4,567,535)	\$ 603,946
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	3,519	2,750
Amortization of convertible debt discount	202,626	202,021
Amortization capitalized license fees	150,000	150,000
Change in fair value of derivative liability	2,479,279	(1,904,288)
Stock-based compensation	175,000	—
Non-cash interest expense	115,156	—
Loss on Series A conversion	1,130,595	709,933
Decrease (increase) in operating assets and liabilities		
Accounts receivable	13,453	—
Inventory	(3,955)	6,889
Prepaid & other assets	(2,000)	126
Accounts payable	29,811	(770)
Related party liabilities	82,484	—
Accrued interest	40,402	14,573
Net cash used in operating activities	(151,165)	(214,820)
Cash flows from investing activities:		
Acquisition of property & equipment	(14,914)	—
Net cash used in investing activities	(14,914)	—
Cash flows from financing activities:		
Proceeds from convertible debt	145,394	149,000
Related party liabilities	—	90,378
Net cash provided by financing activities	145,394	239,378
Net increase in cash	(20,685)	24,558
Cash, beginning of period	23,360	7,192
Cash, end of period	\$ 2,675	\$ 31,750
Supplemental Disclosures of Cash Flow Information		
Cash paid for interest	\$ 2,502	\$ —
Cash paid for taxes	\$ —	\$ —
Supplemental Disclosures of Non-Cash Investing and Financing Activities		
Original debt discount conversion feature	\$ 145,329	\$ 50,000
Preferred stock cancelled and returned to treasury	\$ —	\$ 125,025,000

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

Boon Industries, Inc.
Notes to the Consolidated Financial Statements

NOTE 1 – NATURE OF OPERATIONS AND GOING CONCERN

Nature of Operations

Boon Industries, Inc. (“Boon,” the “Company,” “we,” “us” and “our”) is an innovative bioscience company that has developed chemical solutions for the agricultural, food and beverage, hospitality, and medical industries. DiOx+, our flagship product, is a disinfectant sterilizer that kills harmful pathogens without dangerous toxic exposure to the user or the environment. DiOx+ is an activated chlorine dioxide (ClO₂) broad spectrum disinfectant that protects the environment and human health from viruses, bacteria and harmful by-products left by other cleaning sanitizers, without a harsh smell or skin irritation. DiOx+ is effective against aerobic and non-aerobic bacteria, viruses, molds, fungi, algae, protozoa, and spores.

Our proprietary chemical formulas and processes make DiOx+ ideal for sterilizing mission critical, high value medical equipment and disinfecting air and surfaces in laboratory and hospital environments. DiOx+ helps protect agricultural crops from disease, can be used in water treatment systems, and helps reduce operational costs in warehousing, and distribution centers, and ecommerce support facilities.

We manufacture DiOx+ in the U.S. at our production facility located in Grass Valley, California. We also manufacture customized “white label” products for the food and beverage industry at the facility we lease in Grants Pass, Oregon.

These white label products are predominantly tinctures of liquid nutritional supplements that utilize nano-emulsification to suspend particles in a solution.

Holding Company Parent-subsidary Formation

On March 2, 2020, the Company became the parent and successor issuer of Leaf of Faith Beverage, Inc. (“LOFB”), pursuant to a parent-subsidary reorganization with LOFB, pursuant to Section 1081(g) of the Oklahoma Act, which was executed by Leaf of Faith Beverage, Inc., Boon Industries, Inc., and Leaf of Faith Beverage Merger Sub, Inc. Boon Industries, Inc. was incorporated in Oklahoma on March 2, 2020.

Under the Agreement and plan of merger, Leaf of Faith Beverage, Inc. merged into Leaf of Faith Beverage Merger Sub, Inc. and Leaf of Faith Beverage, Inc. ceased to exist, wherein Leaf of Faith Beverage Merger Sub, Inc. became the survivor and successor, having acquired all of Leaf of Faith Beverage, Inc. assets, rights financial statements, obligations, and liabilities as the constituent or resulting corporation. Boon Industries, Inc. became the parent and the holding company of Leaf of Faith Beverage Merger Sub, Inc. under the Parent Subsidiary formation which was in compliance with Section 1081(g) of the Oklahoma Act. Upon consummation of the Parent Subsidiary formation, each issued and outstanding share of capital stock of the former Leaf of Faith Beverage, Inc. was transmuted into and represented the identical equity structure of Boon Industries, Inc. (on a share-for-share basis) being of the same designations, rights, powers and preferences, and qualifications, limitations, and restrictions. Boon Industries, Inc. was the issuer since the former Leaf of Faith Beverage, Inc. equity structure was transmuted pursuant to Section 1081(g) as the current issued and outstanding equities of Boon Industries, Inc.

Change of Control/ Asset Purchase

On March 2, 2020, Boon Industries, Inc. completed an Asset Purchase Agreement with Matrix of Life Tech Trust, an Oregon Trust, a Trust with ongoing operations (“Matrix”). The Asset Purchase was in compliance with Section 368(a)(1)(B) of the Internal Revenue Code of 1986, as amended and resulted in a change in control of Boon Industries, Inc. Boon Industries, Inc., is an operating business with ongoing operations since its date of incorporation on March 2, 2020, to present. From the date of incorporation, Boon Industries, Inc., has had ongoing operations and is therefore an “Issuer” that is not, and has never been a “Shell Company” or ever was a “Former Shell Company” as defined in Rule 144(i) of the Act.

Matrix of Life Tech Trust (the “Trust”) was established in October of 2011 by Justin Gonzalez, as trustee, for the benefit of his children to develop proprietary technologies in emulsification with applications in the beverage and nutritional supplement industries. The Trust was initially funded by cash from Mr. Gonzalez to engage in its business. Beginning in 2012 the Trust conducted water bottling operations in Grants Pass, Oregon, where it produced bottled water and a range of products for the health and wellness industry, until the sale of its assets to us in March 2020.

For financial reporting purposes, the Matrix acquisition represents a capital transaction of Matrix of Life Tech Trust or a Business combination under common control accounted for under ASC 805-50, because the sellers of Matrix of Life Tech Trust controlled the Company before the merger and immediately following the completion of the transaction. As such, Matrix of Life Tech Trust is deemed to be the accounting acquirer in the transaction and, consequently, the transaction is being treated as a recapitalization of Matrix of Life Tech Trust. Accordingly, the assets and liabilities and the historical operations that will be reflected in the Company’s ongoing financial statements will be those of Matrix of Life Tech Trust and will be recorded at the historical cost basis of Matrix of Life Tech Trust. The Company’s assets, liabilities and results of operations will be consolidated with the assets, liabilities, and results of operations of Matrix of Life Tech Trust after consummation of the merger. The Company’s historical capital accounts will be retroactively adjusted to reflect the equivalent number of shares issued by the Company in the merger while Matrix of Life Tech Trust’s historical retained earnings will be carried forward. The historical financial statements of the Company before the Merger will be replaced with the historical statements of Matrix of Life Tech Trust before the merger in all future filings with the Securities and Exchange Commission, or “SEC”.

Liquidity and Going Concern

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. As of March 31, 2022, the Company’s current liabilities exceeded its current assets by approximately \$73,006,000. The Company has recorded a net loss of \$4,567,535 for the three months ended March 31, 2022, has negative cash flow from operations of approximately \$151,200, has an accumulated deficit of \$15,753,668 as of March 31, 2022, and has limited business operations, which raises substantial doubt about the Company’s ability to continue as a going concern.

The ability of the Company to meet its commitments as they become payable is dependent on the ability of the Company to obtain necessary financing or achieving a profitable level of operations.

The Company has arranged financing and intends to utilize the cash received to fund its operations. The Company plans to seek additional financing, if necessary, in private or public equity offering to secure future funding for operations. If the Company is not able to secure additional funding, the implementation of the Company’s business plan will be impaired. There can be no assurance that such additional financing will be available to the Company on acceptable terms or at all.

These financial statements do not give effect to adjustments to the amounts and classification to assets and liabilities that would be necessary should the Company be unable to continue as a going concern.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Company maintains its accounting records on an accrual basis in accordance with GAAP. These consolidated financial statements are presented in United States dollars. The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q. All adjustments which are, in the opinion of management, necessary for a fair presentation of the results of operations for the interim periods have been made and are of a recurring nature unless otherwise disclosed herein.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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. Management regularly evaluates estimates and assumptions related to the valuation of assets and liabilities. Management bases its estimates and assumptions on current facts, historical experience, and various other factors that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the accrual of costs and expenses that are not readily apparent from other sources. The actual results experienced by the Company may differ materially and adversely from management's estimates. To the extent there are material differences between the estimates and the actual results, future results of operations will be affected. Significant estimates include:

- Liability for legal contingencies.
- Useful life of assets.
- Deferred income taxes and related valuation allowances.
- Impairment of finite-life intangible.
- Obsolescence of inventory.
- Stock based compensation calculated using Black Scholes option pricing model.

Business Combinations

As per ASC 805-50 a common-control transaction does not meet the definition of a business combination because there is no change in control over the net assets. The accounting for these transactions is addressed in the "Transactions Between Entities Under Common Control". The net assets are derecognized by the transferring entity and recognized by the receiving entity at the historical cost of the parent of the entities under common control. Any difference between the proceeds transferred or received and the carrying amounts of the net assets is recognized in equity in the transferring and receiving entities' separate financial statements and eliminated in consolidation. The change in accounting principle is applied retroactively for all periods presented.

Segment Reporting

The Company operates as one reportable segment under ASC 280, Segment Reporting. The Chief operating decision maker regularly reviews the financial information of the Company at a consolidated level in deciding how to allocate resources and in assessing performances.

Cash and Cash Equivalents

The Company considers all highly liquid investments with maturities of 90 days or less from the date of purchase to be cash equivalents. The Company did not have any cash equivalents as of March 31, 2022, and December 31, 2021, respectively.

COVID-19

The Company began seeing the impact of the COVID-19 pandemic on its business in early March 2020. The direct financial impact of the pandemic has primarily shown in significantly reduced production. In addition to these direct financial impacts, COVID-19 related safety measures resulted in a reduction of productivity. The Company will continue to assess and manage this situation and will provide a further update in each quarterly earnings release, to the extent that the effects of the COVID-19 pandemic are then known more clearly.

Fair value of Financial Instruments and Fair Value Measurements

Accounting Standards Codification (“ASC”) 820 Fair Value Measurements and Disclosures, requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. ASC 820 establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value.

Fair value is defined as the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability.

In addition to defining fair value, the standard expands the disclosure requirements around the value and establishing a fair value hierarchy for valuation inputs is expanded. The hierarchy prioritizes the inputs into three levels based on the extent to which inputs used in measuring the value are observable in the market.

A financial instrument’s categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. ASC 820 prioritizes the inputs into three levels that may be used to measure fair value:

Level 1 – Inputs are based upon unadjusted quoted prices for identical instruments traded in active markets.

Level 2 – Inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in market that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Inputs are generally unobservable and typically reflect management’s estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models and similar techniques.

The reported fair values for financial instruments that use Level 2 and Level 3 inputs to determine fair value are based on a variety of factors and assumptions. Accordingly, certain fair values may not represent actual values of the Company’s financial instruments that could have been realized as of March 31, 2022, or that will be recognized in the future, and do not include expenses that could be incurred in an actual settlement.

The carrying amounts of the Company’s financial assets and liabilities, such as cash, accounts receivable, inventory, prepaid expenses and other assets, accounts payable, accrued interest, related party liabilities approximate fair value due to their relatively short maturities.

The Company’s convertible notes payable and loans payable approximates the fair value of such liabilities based upon management’s best estimate of interest rates that would be available to the Company for similar financial arrangements and due to the short-term nature of these instruments at March 31, 2022, and December 31, 2021.

The fair value of the Company’s recorded derivative liability is determined based on unobservable inputs that are not corroborated by market data, which require a Level 3 classification. A Black-Sholes option valuation model was used to determine the fair value. The Company records derivative liability on the balance sheets at fair value with changes in fair value recorded in the statements of operation.

The following table presents balances of the liabilities with significant unobservable inputs (Level 3) as of March 31, 2022, and December 31, 2021:

	Fair Value Measurements at March 31, 2022, Using			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Derivative liability	\$ —	\$ —	\$ 3,667,962	\$ 3,667,962
Total	\$ —	\$ —	\$ 3,667,962	\$ 3,667,962

	Fair Value Measurements at December 31, 2021, Using			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Derivative liability	\$ —	\$ —	\$ 928,198	\$ 928,198
Total	\$ —	\$ —	\$ 928,198	\$ 928,198

The following table presents changes of the liabilities with significant unobservable inputs (Level 3) for the three months ended March 31, 2022:

	Derivative Liability
Balance December 31, 2021	\$ 928,198
Issuance of convertible debt	260,485
Conversion of convertible debt	—
Change in estimated fair value	2,479,279
Balance March 31, 2022	\$ 3,667,962

Derivative Liability

The Company issued series of debentures during the three months ended March 31, 2022, which contained variable conversion rates that triggered derivative liability accounting. The Company measures the derivative liability using the Black-Scholes option valuation model using the following assumptions:

	March 31, 2022
Expected term	1 – 5 months
Exercise price	\$0.003-\$0.02
Expected volatility	142%-265%
Expected dividends	None
Risk-free interest rate	0.17%-0.71%
Forfeitures	None

The assumptions used in determining fair value represent management's best estimates, but these estimates involve inherent uncertainties and the application of management's judgment. As a result, if factors change, including changes in the market value of the Company's common stock, managements' assessment or significant fluctuations in the volatility of the trading market for the Company's common stock, the Company's fair value estimates could be materially different in the future.

The Company computes the fair value of the derivative liability at each reporting period and the change in the fair value is recorded as non-cash expense or non-cash income. The key component in the value of the derivative liability is the Company's stock price, which is subject to significant fluctuation and is not under its control, and the assessment of volatility. The resulting effect on net loss is therefore subject to significant fluctuation and will continue to be so until the Company's variable debentures, which the convertible feature is associated with, are converted into common stock or paid in full with cash. Assuming all other fair value inputs remain constant, the Company will record non-cash expense when its stock price increases and non-cash income when its stock price decreases.

Stock-Based Compensation

The Company accounts for employee stock-based compensation in accordance with the fair value recognition provisions of ASC Topic 718, Compensation – Stock Compensation (“ASC 718”). Under this method, compensation expense includes compensation expense for all stock-based payments based on the grant-date fair value. Such amounts have been reduced to reflect the Company's estimate of forfeitures of all unvested awards.

The Company uses the Black-Scholes pricing model to determine the fair value of the stock-based compensation that it grants to employees and non-employees. The Black-Scholes pricing model takes into consideration such factors as the estimated term of the securities, the conversion or exercise price of the securities, the volatility of the price of the Company's common stock, interest rates, and the probability that the securities will be converted or exercised to determine the fair value of the securities. The selection of these criteria requires management's judgment and may impact the Company's net income or loss. The computation of volatility is intended to produce a volatility value that is representative of the Company's expectations about the future volatility of the price of its common stock over an expected term. The Company used its share price history to determine volatility and cannot predict what the price of its shares of common stock will be in the future. As a result, the volatility value that the Company calculated may differ from the actual volatility of the price of its shares of common stock in the future.

Convertible Instruments

The Company evaluates and accounts for conversion options embedded in its convertible instruments in accordance with ASC 815 “Derivatives and Hedging”. ASC 815 generally provides three criteria that, if met, require companies to bifurcate conversion options from their host instruments and account for them as free-standing derivative financial instruments. These three criteria include circumstances in which (a) the economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract, (b) the hybrid instrument that embodies both the embedded derivative instrument and the host contract is not re-measured at fair value under otherwise applicable generally accepted accounting principles with changes in fair value reported in earnings as they occur, and (c) a separate instrument with the same terms as the embedded derivative instrument would be considered a derivative instrument. Professional standards also provide an exception to this rule when the host instrument is deemed to be conventional as defined under professional standards as “The Meaning of Conventional Convertible Debt Instrument.”

ASC 815-40 “Derivatives and Hedging - Contracts in Entity's Own Equity” provides that, among other things, generally, if an event is not within the entity's control could or require net cash settlement, then the contract shall be classified as an asset or a liability.

Debt issuance costs and debt discounts

Debt issuance costs and debt discounts are being amortized over the lives of the related financings on a basis that approximates the effective interest method. Costs and discounts are presented as a reduction of the related debt in the accompanying consolidated balance sheets.

Revenue Recognition

The Company recognizes revenue in accordance with ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606).

Under ASU 2014-9, the Company recognizes revenue when its customers obtain control of the promised good or services, in an amount that reflects the consideration which the Company expects to receive in exchange for those goods or services. The Company applies the following five-step: (i) identify the contract(s) with a customer; (ii) identify the performance obligation(s) in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligation(s) in the contract; and (v) recognize revenue when (or as) the Company satisfies a performance obligation.

At contract inception, once the contract is determined to be within the scope of ASU 2014-09, the Company identifies the performance obligation(s) in the contract by assessing whether the goods or services promised within each contract are distinct. The Company then recognizes revenue for the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied.

The Company's performance obligations are established when a customer submits a purchase order notification (in writing, electronically or verbally) for goods, and the Company accepts the order. The Company identifies the performance obligation as the delivery of the requested product in appropriate quantities and to the location specified in the customer's contract and/or purchase order. The Company generally recognizes revenue when the product or service has been transferred to the customer, at which time the Company has an unconditional right to receive payment. The Company's sales and sale prices are final, and the selling prices are not affected by contingent events that could impact the transaction price. Revenue is typically recognized at the time the product is delivered to our customer, at which time the title passes to the customer, and there are no further performance obligations.

The Company records a liability when receiving cash in advance of delivering goods or services to the customer. This liability is reversed against the receivable recognized when those goods or services are delivered.

During the three months ended March 31, 2022, and 2021, the Company recognized \$25,451 and \$20,236 of revenue, respectively.

Concentration of Credit Risk

The Company maintains its cash in bank and financial institution deposits that at times may exceed federally insured limits. The Company has not experienced any losses in such accounts through March 31, 2022.

Capitalized licensing fees

The Company records its intangible assets at cost in accordance with ASC 350, Intangibles – Goodwill and Other. The Company reviews the intangible assets for impairment on an annual basis or if events or changes in circumstances indicate it is more likely than not that they are impaired. These events could include a significant change in the business climate, legal factors, a decline in operating performance, competition, sale, or disposition of a significant portion of the business, or other factors. If the review indicates the impairment, an impairment loss would be recorded for the difference of the value recorded and the new value. For the three months ended March 31, 2022, and 2021, there were no impairment losses recognized for intangible assets. The Company amortizes the capitalized licensing fees over the five-year term of the underlying licensing agreement.

Impairment of Long-Lived Assets

The Company reviews long-lived assets, including definite-lived intangible assets, for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Recoverability of these assets is determined by comparing the forecasted undiscounted net cash flows of the operation to which the assets relate to the carrying amount. If the operation is determined to be unable to recover the carrying amount of its assets, then these assets are written down first, followed by other long-lived assets of the operation to fair value. Fair value is determined based on discounted cash flows or appraised values, depending on the nature of the assets. For the three months ended March 31, 2022, and 2021, there were no impairment losses recognized for long-lived assets.

Inventories

Inventories are stated at the lower of cost, computed using the first-in, first-out method (“FIFO”), and net realizable value. Any adjustments to reduce the cost of inventories to their net realizable value are recognized in earnings in the current period.

Accounts Receivable

Accounts receivable are stated at net realizable value, and as such, earnings are charged with a provision for doubtful accounts based on our best estimate of the amount of probable credit losses in our existing accounts receivable. We determine an allowance based on historical write-off experience and specific account information available. Accounts receivable are reflected in the accompanying consolidated balance sheets net of a valuation allowance of \$0 as of March 31, 2022, and December 31, 2021. When internal collection efforts on accounts have been exhausted, the accounts are written off by reducing the allowance for doubtful accounts and the related customer receivable.

Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses are carried at amortized cost and represent liabilities for goods and services provided to the Company prior to the end of the fiscal year that are unpaid and arise when the Company becomes obliged to make future payments in respect of the purchase of these goods and services.

Basic and Diluted Loss Per Share

In accordance with ASC Topic 280 – “Earnings Per Share”, the basic loss per common share is computed by dividing net loss available to common stockholders by the weighted average number of common shares outstanding. Diluted loss per common share is computed similar to basic loss per common share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive.

Recent Accounting Pronouncements

In August 2020, the FASB issued ASU No. 2020-06 (“ASU 2020-06”) “Debt-Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging-Contracts in Entity’s Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity.” ASU 2020-06 simplifies the accounting for convertible instruments by reducing the number of accounting models for convertible debt instruments and convertible preferred stock. Limiting the accounting models results in fewer embedded conversion features being separately recognized from the host contract as compared with current GAAP. Convertible instruments that continue to be subject to separation models are (1) those with embedded conversion features that are not clearly and closely related to the host contract, that meet the definition of a derivative, and that do not qualify for a scope exception from derivative accounting and (2) convertible debt instruments issued with substantial premiums for which the premiums are recorded as paid-in capital. In addition, ASU 2020-06 amends the guidance for the derivatives scope exception for contracts in an entity’s own equity to reduce form-over-substance-based accounting conclusions. The amendments also affect the diluted EPS calculation for instruments that may be settled in cash or shares and for convertible instruments. The amendments are effective for public entities excluding smaller reporting companies for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2020, including interim periods. The Company is currently evaluating the potential impact of ASU 2020-06 on its financial statements. The Company adopted the new standard on January 1, 2022, which did not result in a material impact on the Company’s consolidated results of operations, financial position, and cash flows.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at March 31, 2022, and December 31, 2021:

	March 31, 2022	December 31, 2021
Emulsification equipment	\$ 163,651	\$ 155,614
Leasehold improvements	6,877	—
Truck	10,000	10,000
	180,528	165,614
Less accumulated depreciation	(80,869)	(77,350)
	<u>\$ 99,659</u>	<u>\$ 88,264</u>

Depreciation expense was approximately \$3,519 and \$2,750 for the three months ended March 31, 2022, and 2021, respectively.

During the three months ended March 31, 2022, and 2021 the Company capitalized \$14,914 and \$0 of property and equipment, respectively.

NOTE 4 – INTANGIBLE, NET

On May 13, 2020, we entered into an exclusive distribution and licensing agreement with C Group LLC under which we intend to sell indoor agricultural growing pods utilizing C-Group's proprietary technology to our existing and future customers. The growing pods are a self-contained 800 sq ft steel container consisting of computerized climate and irrigation control. Pursuant to this agreement, we issued 300,000 shares of our Series A Preferred Stock to Anthony Super, the President of C Group LLC.

Intangible consisted of the following at March 31, 2022, and December 31, 2021:

	March 31, 2022	December 31, 2021
C-Group LLC Capitalized Licensing fees	\$ 3,000,000	\$ 3,000,000
Gross Amount Capitalized Licensing fees	3,000,000	3,000,000
Less accumulated depreciation	(1,125,000)	(975,000)
	<u>\$ 1,875,000</u>	<u>\$ 2,025,000</u>

The Company is amortizing the capitalized licensing fees over the five-year term of the exclusive distribution and licensing agreement. Amortization expense was \$150,000 for the three months ended March 31, 2022, and 2021.

NOTE 5 – CONVERTIBLE NOTES PAYABLE

As of March 31, 2022, and December 31, 2021, notes payable are comprised of the following:

	Original Note Amount	Original Note Date	Due Date	Interest Rate	Conversion Rate	March 31, 2022	December 31, 2021
C Group #1 (past maturity)	20,000	3/04/2021	3/04/2022	10%	Variable	20,000	20,000
C Group #2 (past maturity)	35,000	3/09/2021	3/09/2022	10%	Variable	35,000	35,000
C Group #3	35,000	4/05/2021	4/05/2022	10%	Variable	35,000	35,000
C Group #4	35,000	4/15/2021	4/15/2022	10%	Variable	35,000	35,000
C Group #5	35,000	4/21/2021	4/21/2022	10%	Variable	35,000	35,000
C Group #6	35,000	6/01/2021	6/01/2022	10%	Variable	35,000	35,000
C Group #7	35,000	6/14/2021	6/14/2022	10%	Variable	35,000	35,000
Optempus #1 (past maturity)	40,000	6/02/2020	6/02/2021	22%	Variable	40,000	40,000
Optempus #2 (past maturity)	20,000	7/10/2020	7/10/2021	22%	Variable	20,000	20,000
Optempus #3 (past maturity)	45,000	8/31/2020	8/31/2021	12%	Variable	45,000	45,000
Optempus #4 (past maturity)	25,000	10/06/2020	10/6/2021	10%	Variable	25,000	25,000
Optempus #5 (past maturity)	20,000	11/09/2020	11/9/2021	10%	Variable	20,000	20,000
Optempus #6 (past maturity)	30,000	11/16/2020	11/16/2021	10%	Variable	30,000	30,000
Optempus #7 (past maturity)	15,000	12/17/2020	12/17/2021	10%	Variable	15,000	15,000
Optempus #8 (past maturity)	64,000	1/14/2021	1/14/2022	10%	Variable	64,000	64,000
Optempus #9 (past maturity)	40,000	1/21/2021	1/21/2022	10%	Variable	40,000	40,000
Optempus #10 (past maturity)	50,000	2/06/2021	2/06/2022	10%	Variable	50,000	50,000
Optempus #11 (past maturity)	15,000	2/12/2021	2/12/2022	10%	Variable	15,000	15,000
Maguire #1	25,000	6/25/2021	6/25/2022	10%	Variable	25,000	25,000
Maguire #2	90,000	11/2/2021	11/02/2022	10%	Variable	90,000	90,000
Maguire #3	40,000	11/26/2021	11/26/2022	10%	Variable	40,000	40,000
Maguire #4	25,000	12/09/2021	12/09/2022	10%	Variable	25,000	25,000
Maguire #5	25,000	12/18/2021	12/18/2022	10%	Variable	25,000	25,000
Maguire #6	35,000	1/12/2022	1/12/2023	10%	Variable	35,000	—
Maguire #7	44,381	1/27/2022	1/27/2023	10%	Variable	44,381	—
Maguire #8	33,012	2/21/2022	2/21/2023	10%	Variable	33,012	—
Maguire #9	12,000	3/14/2022	3/14/2023	10%	Variable	12,000	—
Maguire #10	55,000	3/30/2022	3/30/2023	10%	Variable	55,000	—
Direct Cap #1	35,000	7/19/2021	7/19/2022	10%	Variable	35,000	35,000
Direct Cap #2	35,000	7/22/2021	7/22/2022	10%	Variable	35,000	35,000
Direct Cap #3	35,000	8/05/2021	8/05/2022	10%	Variable	35,000	35,000
Direct Cap #4	35,000	8/16/2021	8/16/2022	10%	Variable	35,000	35,000
Direct Cap #5	35,000	8/23/2021	8/23/2022	10%	Variable	35,000	35,000
Direct Cap #6	65,000	10/13/2021	10/13/2022	10%	Variable	65,000	65,000
V Group (past maturity)	150,000	12/12/2019	12/12/2020	12%	Variable	150,000	150,000
						\$ 1,368,393	\$ 1,189,000
Debt discount						(216,639)	(239,937)
Notes payable, net of discount						\$ 1,151,754	\$ 949,063
Accrued interest						\$ 145,444	\$ 105,374

During the three months ended March 31, 2022, the Company received \$145,394 in cash for the issuance of five (5) convertible notes, net of \$34,000 of original issuance discount and deferred financing costs for total principal of \$179,394. The Company amortized to interest expense \$51,041 of original issuance discount and deferred financing costs.

During the three months ended March 31, 2022, the Company recognized \$40,070 of interest on the existing promissory notes.

Below is the summary of the convertible notes issued during the three months ended March 31, 2022:

Maguire & Associates LLC

On January 12, 2022, the Company issued a Convertible Promissory Note to Maguire & Associates LLC (“Maguire #6”), of which \$25,000 was received in cash and \$10,000 was recorded as an original issue discount. The note bears interest of 10%, matures on January 12, 2023, and is convertible into common stock at a price equal to 58% multiplied by the average of the two lowest trading prices during the 20-day trading day period prior to the conversion date. As of March 31, 2022, the principal balance was \$35,000 with accrued interest of \$748 and reflected an unamortized original issue discount of \$7,863.

On January 27, 2022, the Company issued a Convertible Promissory Note to Maguire & Associates LLC (“Maguire #7”), of which \$1,800 was received in cash and \$7,000 was recorded as an original issue discount. The note bears interest of 10%, matures on January 27, 2023, and is convertible into common stock at a price equal to 58% multiplied by the average of the two lowest trading prices during the 20-day trading day period prior to the conversion date. The Company used \$35,581 of the net proceeds to pay for the Company’s corporate expenses. As of March 31, 2022, the principal balance was \$44,381 with accrued interest of \$766 and reflected an unamortized original issue discount of \$5,792.

On February 21, 2022, the Company issued a Convertible Promissory Note to Maguire & Associates LLC (“Maguire #8”), of which \$8,664 was received in cash and \$5,000 was recorded as an original issue discount. The note bears interest of 10%, matures on February 21, 2023, and is convertible into common stock at a price equal to 58% multiplied by the average of the two lowest trading prices during the 20-day trading day period prior to the conversion date. The Company used \$19,348 of the net proceeds to pay for the Company’s corporate expenses. As of March 31, 2022, the principal balance was \$33,012 with accrued interest of \$344 and reflected an unamortized original issue discount of \$4,479.

On March 14, 2022, the Company issued a Convertible Promissory Note to Maguire & Associates LLC (“Maguire #9”), of which \$10,000 was received in cash and \$2,000 was recorded as an original issue discount. The note bears interest of 10%, matures on March 14, 2023, and is convertible into common stock at a price equal to 58% multiplied by the average of the two lowest trading prices during the 20-day trading day period prior to the conversion date. As of March 31, 2022, the principal balance was \$12,000 with accrued interest of \$56 and reflected an unamortized original issue discount of \$1,907.

On March 30, 2022, the Company issued a Convertible Promissory Note to Maguire & Associates LLC (“Maguire #10”), of which \$1,000 was received in cash and \$10,000 was recorded as an original issue discount. The note bears interest of 10%, matures on March 30, 2023, and is convertible into common stock at a price equal to 58% multiplied by the average of the two lowest trading prices during the 20-day trading day period prior to the conversion date. The Company used \$44,000 of the net proceeds to pay for the Company’s corporate expenses. As of March 31, 2022, the principal balance was \$55,000 with accrued interest of \$15 and reflected an unamortized original issue discount of \$9,973.

Cross default provision

The note agreements include a cross default provision, which states that a breach or a default by the Company of any covenant or other terms or conditions, after the passage of all applicable notice and cure or grace periods, shall, at the option of the holder, be considered a default under the note agreements, in which the holder shall be entitled to apply all rights and remedies. Each of the loan transactions will be cross defaulted with each other loan transaction and with all other existing and future debt of the Company. The Company did not receive any notice of default as of March 31, 2022, and December 31, 2021.

The Company is currently in technical default with fourteen (14) of its convertible notes, namely “V Group”, “Optempus #1” through “Optempus #11”, “C-Group #1” and “C-Group #2, since the Company has failed to pay principal and interest when due at maturity.

Upon the occurrence and continuation of any event of default, certain notes become immediately due and payable in an amount equal to the default amount, defined as 150% times the sum of all outstanding principal and accrued but unpaid interest. The Company has not received any notice of default as of March 31, 2022. The Company has not accrued any default provisions under the terms and conditions of these promissory notes since the amount is not considered material to the financial statements, and probable in the meaning of ASC 450 – Contingencies. As of March 31, 2022, the Company has not received any default notice from the lenders.

NOTE 6 – RELATED PARTY TRANSACTIONS

Mr. Justin Gonzalez, Chief Executive Officer, President, Secretary, Treasurer, and Director

On March 2, 2020, the Company appointed Justin Gonzalez as Chief Executive Officer, President, Secretary, Treasurer, and Director of the Company. The Company and Mr. Gonzalez entered into an employee agreement that includes an annual salary of \$200,000 and \$100,000 to be issued in common stock. Unpaid wages will accrue interest at 6% per annum and may be converted to restricted common stock at fair market value at the time of conversion.

During the three months ended March 31, 2022, the Company accrued wages of \$50,000 and interest of \$5,373 and paid \$15,771 of accrued compensation.

The balance of accrued interest is \$25,716 and \$20,342 as of March 31, 2022, and December 31, 2021, respectively. The balance of accrued compensation is \$370,461 and \$336,232 as of March 31, 2022, and December 31, 2021, respectively.

The Company is periodically advanced non-interest-bearing operating funds from related parties. The advances are due on demand and unsecured. As of March 31, 2022, and December 31, 2021, Mr. Gonzalez advanced \$5,765 and \$5,514 to the Company, which is presented under related party liabilities in the consolidated balance sheets.

Mr. Eric Watson, Chief Operating Officer, and Director

On March 2, 2020, the Company appointed Eric Watson as Chief Operating Officer and a Director of the Company. The Company and Mr. Watson entered into an employee agreement that includes an annual salary of \$162,000 and \$50,000 to be issued in common stock. Unpaid wages will accrue interest at 6% per annum and may be converted to restricted common stock at fair market value at the time of conversion.

During the three months ended March 31, 2022, the Company accrued wages of \$40,500 and interest of \$2,232 and paid \$0 of accrued compensation.

The balance of accrued interest is \$12,906 and \$10,675 as of March 31, 2022, and December 31, 2021, respectively. The balance of accrued compensation is \$164,803 and \$124,303 as of March 31, 2022, and December 31, 2021, respectively.

Johann Loewen, Director

On September 21, 2021, the Company appointed Johann Loewen as director of the Company for an initial one-year term. As director of the Company, Johann Loewen is entitled to 5,000 shares of Series A at a stated value of \$10.00 per share. No shares have been issued as of March 31, 2022, but the liability is recorded as stock payable in the Company's balance sheet.

Edouard Beaudette, Director

On October 15, 2021, the Company appointed Edouard Beaudette as director of the Company for an initial one-year term. As director of the Company, Edouard Beaudette is entitled to 5,000 shares of Series A at a stated value of \$10.00 per share. No shares have been issued as of March 31, 2022, but the liability is recorded as stock payable in the Company's balance sheet. Edouard Beaudette also executed a consulting agreement with the Company under which he is entitled to monthly compensation of 1,000 shares of Series A preferred stock per month and \$2,500 in cash. Edouard Beaudette is to implement and manage the Company's strategy, plan and executed product launch. No shares has been issued and no cash has been paid during the three months ended March 31, 2022.

NOTE 7 – SHORT TERM LIABILITIES

As of March 31, 2022, and December 31, 2021, short term debt was comprised of the following:

	Original Note Amount	Original Note Date	Due Date	Interest Rate	March 31, 2022	December 31, 2021
Carolyn Hamburger (past maturity)	100,000	12/12/2014	12/12/2019	10%	100,000	100,000
Doris Notter (past maturity)	10,000	12/31/2014	12/31/2019	15%	10,000	10,000
Total short-term liabilities					\$ 110,000	\$ 110,000
Accrued interest					\$ 30,015	\$ 29,682

On December 12, 2014, the Company's predecessor Matrix received a \$100,000 loan from Carolyn Hamburger at 10% interest evidenced by a note for \$100,000 issued by Matrix. The note matured on December 12, 2019. The note is secured by the Company's emulsification equipment acquired in the Matrix Acquisition. This Note does not convert into securities of the Company. As of March 31, 2022, and December 31, 2021, the note had a principal balance of \$100,000. Accrued interest totaled \$19,141 and \$19,177, as of March 31, 2022, and December 31, 2021, respectively.

During the three months ended March 31, 2022, the Company paid \$2,502 of interest in cash and incurred \$2,466 of interest. This note is currently past maturity, but no notice of default has been received by the Company as of March 31, 2022.

On December 31, 2014, Matrix received a \$10,000 unsecured loan from Doris Notter at 15% interest and a maturity date of December 31, 2019. As of March 31, 2022, and December 31, 2021, the note had a principal balance of \$10,000 and accrued interest of \$10,874 and 10,505, respectively. No payment was made during the three months ended March 31, 2022. This note is currently past maturity, but no notice of default has been received by the Company as March 31, 2022.

NOTE 8 – PREFERRED STOCK

On March 2, 2020, the Company filed an amendment to the Oklahoma Certificate of Designation to increase the Series A Convertible Preferred Stock, with a par value of \$0.0001 to 20,000,000 shares authorized. The Company's preferred stock at March 31, 2022, consisted of 20,000,000 authorized Series A preferred shares, and 1,000 Series B preferred shares, all with a par value of \$0.0001 per share.

As of March 31, 2022, and December 31, 2021, 6,725,213 and 6,889,410 shares of Series A Preferred Stock were issued and outstanding and 1,000 of Series B Preferred Stock were issued and outstanding, respectively.

Series A

The Series A preferred stock (“Series A”) have no voting rights and have no dividends and in the event of a voluntary or involuntary liquidation, dissolution or winding-up of the Company, each share of Series A has a stated value of \$10 per share. Each share of Series A is convertible to common stock at the closing price of common on the date of conversion.

The Company follows ASC 480-10, “Distinguishing Liabilities from Equity” in its evaluation of the accounting for the Series A Preferred Stock. ASC 480-10-25-14 requires liability accounting for certain financial instruments, including shares that embody an unconditional obligation to transfer a variable number of shares, provided that the monetary value of the obligation is based solely or predominantly on one of the following three characteristics:

- A fixed monetary amount known at inception.
- Variations in something other than the fair value of the issuer’s equity shares; or
- Variations in the fair value of the issuer’s equity shares, but the monetary value to the counterparty moves in the opposite direction as the value of the issuer’s shares.

The number of shares delivered is determined on the basis of (1) the fixed monetary amount determined as the stated value and (2) the current stock price at settlement, so that the aggregate fair value of the shares delivered equals the monetary value of the obligation, which is fixed or predominantly fixed. Accordingly, the holder is not significantly exposed to gains and losses attributable to changes in the fair value of the Company’s equity shares. Instead, the Company is using its own equity shares as currency to settle a monetary obligation.

The Series A Preferred Stock has been classified as a liability in accordance with ASC 480-10 and the Company has elected to record the Series A Preferred Stock at fair value with changes in fair value recorded through earnings.

For the three months ended March 31, 2022

During the three months ended March 31, 2022, 164,197 shares of Series A Preferred stock were converted to 1,037,674,922 shares of common stock in accordance with the conversion terms.

For the three months ended March 31, 2021

During the three months ended March 31, 2021, 174,192 shares of Series A Preferred stock were converted to 15,092,546 common shares in accordance with the conversion terms.

During the three months ended March 31, 2021, an aggregate of 12,502,500 shares of Series A was returned to Treasury pursuant to a cancellation agreement.

Series B

On March 2, 2020, the Company filed an amendment to its Oklahoma Certificate of Designation to reduce Series B Preferred Stock, with a par value of \$0.0001 to 1,000 shares authorized.

Each share of Series B preferred stock (“Series B”) is equal to and counted as four (4) times the votes of all of the shares of the Company’s common stock. The stated value of Series B is \$0.0001. The Series B have no conversion right, are not entitled to dividends and have no value in the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company.

On March 2, 2020, Justin Gonzalez was issued 1,000 Preferred Series B Shares, pursuant to the Asset Purchase Agreement dated March 2, 2020. There was no activity during the three months ended March 31, 2022.

NOTE 9 – COMMON STOCK

The Company's common stock at March 31, 2022, consisted of 30,000,000,000 authorized common shares, 20,000,000 authorized Series A preferred shares, and 1,000 Series B preferred shares, all with a par value of \$0.0001 per share. On March 3, 2022, the Company filed an amended Certificate of incorporation with the Secretary of State of Oklahoma to increase the authorized common shares to 30,000,000,000.

As of March 31, 2022, and December 31, 2021, there were 1,438,186,504 and 400,511,582 shares of common stock issued and outstanding, respectively.

For the three months ended March 31, 2022

During the three months ended March 31, 2022, 164,197 shares of Series A Preferred stock were converted to 1,037,674,922 shares of common stock in accordance with the conversion terms.

For the three months ended March 31, 2021

During the three months ended March 31, 2021, 174,192 shares of Series A Preferred stock were converted to 15,092,546 common shares in accordance with the conversion terms.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Licensing & Distributions Agreements

On April 1, 2020, the Company entered into an Exclusive Licensing Agreement with Aqueous Precision, LLC., an Oregon Corporation. The Agreement provides exclusive rights to The Proprietary Formula, developed and owned by Aqueous Precision LLC, who exclusively maintains all rights and privileges. The H+© ingredient at the center of this Agreement is an all-natural whole plant concentrate with suspended cannabinoids in an aqueous solution made from hemp. This ingredient is purposeful as a single product or in combination with other ingredients. The rights are valued at \$3,300,000, based upon a five-year term.

On December 30, 2020, the Exclusive Licensing Agreement dated April 1, 2020, between the Company and Aqueous Precision was terminated by Aqueous Precision. On December 30, 2020, in connection with such termination, the 330,000 shares of Series A Preferred Stock that had been issued to Pamala Wilson, the President of Aqueous Precision, were returned to treasury.

On May 13, 2020, the Company issued 300,000 shares of Series A Preferred Stock, valued at \$3,000,000 to Anthony Super, the President of C Group, Inc., pursuant to the terms of a five year exclusive distribution agreement entered into between the Company and C Group, Inc.

Employee Agreements

Mr. Justin Gonzalez, Chief Executive Officer, President, Secretary, Treasurer, and Director

On March 2, 2020, the Company appointed Justin Gonzalez as Chief Executive Officer, President, Secretary, Treasurer, and Director of the Company. The Company and Mr. Gonzalez entered into an employee agreement that includes an annual salary of \$200,000. Earned but unpaid wages will accrue interest at 6% per annum and may be converted to restricted common stock of the Company at fair market value at the time of conversion.

The accrued wages and accrued salary totaled \$396,177 and \$336,232 as of March 31, 2022, and December 31, 2021, respectively.

Mr. Eric Watson, Chief Operating Officer and Director

On March 2, 2020, the Company appointed Eric Watson as Chief Operating Officer and a Director of the Company. The Company and Mr. Watson entered into an employee agreement that includes an annual salary of \$162,000. Earned but unpaid wages will accrue interest at 6% per annum and may be converted to restricted common stock of the Company at fair market value at the time of conversion.

The accrued wages and accrued salary totaled \$177,710 and \$124,303 as of March 31, 2022, and December 31, 2021, respectively.

Lease

On January 1, 2020, the Company entered into a commercial lease for approximately 7,800 square feet of space, located in the Wolf Creek Industrial Building in Grass Valley, California. The lease has a term of five years, from January 1, 2020, through December 31, 2025, with a monthly rent of \$4,000. The Company also leases a product production and water bottling facility in Grants Pass, Oregon on a month-to-month basis at a cost of \$2,000 per month.

On September 29, 2021, the Company terminated its commercial lease which began on January 1, 2020, and entered into a new lease agreement with Badger One, LLC. On October 1, 2021, the company entered into a commercial lease for approximately 2,400 square feet of space, located at 13340 Grass Valley Ave, Units C&D, Grass Valley, CA 95945. The lease has a term of one year, from October 1, 2021, through September 30, 2022, with a monthly rent of \$1,824.

NOTE 11 – SUBSEQUENT EVENTS

Subsequent to March 31, 2022, the Company converted 38,371 Series A preferred stock into 428,567,857 shares of common stock, in accordance with the conversion terms.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

General Overview

We are an innovative bioscience company that has developed an effective germ fighter, DiOx+, a disinfectant sterilizer that kills 99.99% of harmful pathogens without dangerous toxic exposure to the user or the environment. Our DiOx+ is an activated chlorine dioxide (ClO₂) broad spectrum disinfectant that kills dangerous pathogens with no residual toxicity. It protects the environment and human health from viruses, bacteria and harmful by-products left by other cleaning sanitizers, without a harsh smell or skin irritation. Our proprietary chemical formulas and processes make DiOx+ ideal for sterilizing mission critical, high value medical equipment and disinfecting air and surfaces in laboratory and hospital environments. DiOx+ helps protect agricultural crops from disease and other pathogens like mold and fungus. It is used in water treatment plants, and helps reduce operational costs in warehousing, distribution centers, and ecommerce support facilities.

Results of Operations for the Three Months Ended March 31, 2022, and 2021

	For the Three Months ended March 31,		Change (\$)	Change (%)
	2022	2021		
Revenue	\$ 25,451	\$ 20,236	5,215	25.8%
Cost of revenue	8,285	12,115	(3,830)	(31.6)%
Gross profit	17,166	8,121	9,045	111.4%
Operating expenses	606,533	372,649	233,884	62.8%
Loss from operations	(589,367)	(364,528)	(224,839)	(61.6)%
Other income (expense)	(3,978,168)	968,474	(4,946,642)	(510.8)%
Net loss	\$ (4,567,535)	\$ 603,946	\$ (5,171,481)	(856)%

Revenue

Revenue increased by \$5,215 or 25.8% from the previous year to \$25,451 during the three months ended March 31, 2022, compared to \$20,236 during the previous period. The increase was due to the recovery from the negative impact of the COVID-19 outbreak in March 2020.

Cost of Revenue

The Company's cost of sales was \$8,285 for the three months ended March 31, 2022, a decrease of \$3,830 or approximately 31.6%, compared to \$12,115 for the three months ended March 31, 2021. The decrease in cost of revenue is due to improved productivity and reduced costs.

Operating Expenses

Operating expenses for the three months ended March 31, 2022, and 2021, were \$606,533 and \$372,649, respectively. The increase was primarily attributable to an increase in share-based compensation expense by approximately \$175,000 resulting from the fair value of shares of common stock issued pursuant to consulting agreements and general and administrative expenses by approximately \$28,000 associated with the preparation of reports relating to being a public company and accounting fees.

Other Expense

Other expense for the three months ended March 31, 2022, was \$3,978,168, compared to other income of \$968,474 for the three months ended March 31, 2022.

Other expense for the three months ended March 31, 2022, consisted of \$2,479,279 of expense resulting from the change in fair value of derivatives, \$368,294 of interest expense, and \$1,130,595 of loss on Series A Preferred Stock conversion to common stock.

Other income for the three months ended March 31, 2021, consisted of \$1,904,288 of income resulting from the change in fair value of derivatives, \$225,881 of interest expense, and \$709,933 of loss on Series A Preferred Stock conversion to common stock.

Net Loss

Net loss for the three months ended March 31, 2022, was \$4,567,535, compared to a net income of \$603,946 for the three months ended March 31, 2021. The increase in our net loss resulted from the changes outlined above.

Liquidity and Capital Resources

Our working capital deficiency as of March 31, 2022, and December 31, 2021, was as follows:

	March 31, 2022	December 31, 2021
Current Assets	\$ 73,921	\$ 127,104
Current Liabilities	\$ 73,080,066	\$ 71,626,880
Working Capital Deficit	\$ (73,006,145)	\$ (71,499,776)

The overall working capital deficit increased from \$71,499,776 at December 31, 2021, to \$73,006,145 at March 31, 2022. The current liabilities primarily consist of loans payable, convertible notes payable, derivative liability from the bifurcated conversion feature embedded in the hybrid debt instruments, related party liabilities, and liability-classified Series A Preferred Stock. The increase in working capital deficit is mainly attributable to an increase in the fair value of the derivative liability and the conversion of Series A Preferred Stock to common stock during the three months ended March 31, 2022.

The following is selected information from the statements of cash flow for the three months ended March 31, 2022, and 2021:

	March 31, 2022	March 31, 2021
Cash used in Operating Activities	\$ (151,165)	\$ (214,820)
Cash used in Investing Activities	\$ (14,914)	\$ —
Cash provided by Financing Activities	\$ 145,394	\$ 239,378
Net (decrease) Increase in Cash During Period	\$ (20,685)	\$ 24,558

Going Concern

Since January 1, 2022, and through March 31, 2022, the Company has raised approximately \$0.1 million in debt transactions. These funds have been used to fund on-going corporate operations. Our accompanying financial statements have been prepared assuming the Company will continue as a going concern, which contemplates realization of assets and the satisfaction of liabilities in the normal course of business for the twelve-month period following the date of these financial statements. Our cash on hand at March 31, 2022 was approximately \$2,700. The Company has incurred substantial losses since inception. Its current liabilities exceed its current assets and available cash is not sufficient to fund expected future operations. The Company is contemplating raising additional capital through debt and equity in order to continue the funding of its operations, which may have the effect of diluting the holdings of existing shareholders. However, there is no assurance that the Company can raise sufficient funds or generate sufficient revenues to pay its obligations as they become due, which raises substantial doubt about our ability to continue as a going concern.

The ability of the Company to continue as a going concern is dependent on the Company's ability to raise additional capital and implement its business plan.

The Company requires additional capital to fully execute its marketing program and fund its current operations and development. Presently we are relying on raising additional funding to meet operational shortfalls. There can be no assurance that continued funding will be available on satisfactory terms. We intend to raise additional capital through the sale of equity, loans, or other short-term financing options.

Off-Balance Sheet Arrangements

We have no significant off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to stockholders.

Seasonality

Management does not believe that our current business segment is seasonal to any material extent.

Critical Accounting Policies

There have been no material changes to our critical accounting policies, as compared to the critical accounting policies and significant judgments and estimates disclosed in our Annual Report on Form 10-K for the year ended December 31, 2021, filed with the SEC on April 14, 2022.

Contingencies

For a discussion of contingencies, see Note 10, Commitments and Contingencies, to the Notes to the Consolidated Financial Statements in “Part I, Item 1. Consolidated Financial Statements (Unaudited)” of the Quarterly Report.

Off-balance Sheet Arrangements

During the period ended March 31, 2022, we have not engaged in any off-balance sheet arrangements.

Recent Accounting Pronouncements

For a listing of our new and recently adopted accounting standards, See Note 2, Summary of Significant Accounting Policies, to the note to the consolidated financial statements in “Part I, Item 1. Consolidated Financial Statements (Unaudited)” of this Quarterly Report.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Not required under Regulation S-K for “smaller reporting companies.”

Item 4. Controls and Procedures

The Company’s Principal Executive Officer and Principal Financial Officer (the Certifying Officers) are responsible for establishing and maintaining disclosure controls and procedures for the Company. An evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) under the Securities Exchange Act of 1934) was carried out by us under the supervision and with the participation of our Certifying Officers. Based upon that evaluation, our Certifying Officers have concluded that as of March 31, 2022, our disclosure controls and procedures, that are designed to ensure (i) that information we are required to disclose in reports that we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms, and (ii) that such information is accumulated and communicated to management, including our Certifying Officers, in order to allow timely decisions regarding required disclosure, were not effective.

As of March 31, 2022, based on evaluation of these disclosure controls and procedures, management concluded that our disclosure controls and procedures were not effective. We will be required to expend time and resources hiring and engaging additional staff and outside consultants with the appropriate experience to remedy the weaknesses described below. We cannot assure you that management will be successful in locating and retaining appropriate candidates or that newly engaged staff or outside consultants will be successful in remedying material weaknesses thus far identified or identifying material weaknesses in the future.

A material weakness is a control deficiency (within the meaning of the Public Company Accounting Oversight Board (PCAOB) Auditing Standard No. 2) or combination of control deficiencies that result in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. Management has identified the following two material weaknesses which have caused management to conclude that as of March 31, 2022, our disclosure controls and procedures were not effective at the reasonable assurance level:

1. We do not have written documentation of our internal control policies and procedures. Written documentation of key internal controls over financial reporting is a requirement of Section 404 of the Sarbanes-Oxley Act which is applicable to us for the three months ended March 31, 2022. Management evaluated the impact of our failure to have written documentation of our internal controls and procedures on our assessment of our disclosure controls and procedures and has concluded that the control deficiency that resulted represented a material weakness.

2. We do not have sufficient segregation of duties within accounting functions, which is a basic internal control. Due to our size and nature, segregation of all conflicting duties may not always be possible and may not be economically feasible. However, to the extent possible, the authorization of transactions, the custody of assets and the recording of transactions should be performed by separate individuals. The recording of transactions function is maintained by a third-party consulting firm whereas authorization and custody remains under the Company's Chief Executive Officer's responsibility. Management evaluated the impact of our failure to have segregation of duties on our assessment of our disclosure controls and procedures and has concluded that the control deficiency that resulted represented a material weakness.

To address these material weaknesses, management performed additional analyses and other procedures to ensure that the financial statements included herein fairly present, in all material respects, our financial position, results of operations and cash flows for the periods presented.

Changes in Internal Control over Financial Reporting

There has been no change to our internal control over financial reporting during our most recent fiscal quarter 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

We are not a party to any pending legal proceeding. We are not aware of any pending legal proceeding to which any of our officers, directors, or any beneficial holders of 5% or more of our voting securities are adverse to us or have a material interest adverse to us.

Item 1A. Risk Factors

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and are not required to provide the information under this item.

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

During the three months ended March 31, 2022, the Company issued an aggregate of 1,037,674,922 shares of common stock pursuant to the conversion of 164,197 Series A Preferred stock.

Item 3. Defaults upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit No.	Description
<u>31.1*</u>	<u>Certification of Principal Executive Officer and Principal Financial Officer, pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
<u>32.1**</u>	<u>Certification of Principal Executive Officer and Principal Financial Officer, pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
101	The following materials from the Company's Quarterly report for the period ended March 31, 2022, formatted in Extensible Business Reporting Language (XBRL).
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* 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.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Justin Gonzalez</u> Justin Gonzalez	President, Chief Executive Officer, Secretary, Treasurer and Chairman of the Board (Principal Executive, Financial and Accounting Officer)	May 16, 2022

**Certification of Principal Executive Officer and Principal Financial Officer
Pursuant to 18 U.S.C. 1350
(Section 302 of the Sarbanes-Oxley Act of 2002)**

I, Justin Gonzalez, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Boon Industries, Inc. (the "Company").
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report.
4. I am 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 the Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company 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 Company, 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 Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the Company's internal control over financial reporting that occurred during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and
5. I have disclosed, based on the most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the Company'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 Company's internal controls over financial reporting.

Date May 16, 2022

/s/ Justin Gonzalez

Justin Gonzalez
President, Chief Executive Officer, Secretary, Treasurer
and Chairman of the Board

**CERTIFICATION PURSUANT TO
18 U.S.C. §1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Justin Gonzalez, President, Chief Executive Officer, Secretary, Treasurer and Chairman of the Board of Boon Industries, Inc. (the “Company”), certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002 that:

(1) The Quarterly Report on Form 10 - Q of the Company for the period ended March 31, 2022 (the “Report”) fully complies with the requirements of § 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 as of and for the periods covered in the Report.

Date: May 16, 2022

/s/ Justin Gonzalez

Justin Gonzalez

President, Chief Executive Officer, Secretary, Treasurer
and Chairman of the Board
