



**Unaudited Financial Statements for the Period of December 31, 2014 and 2013**

**BIONITROGEN HOLDINGS CORP.**

**New Jersey**  
(State or other jurisdiction of  
incorporation or organization)

**2870**  
(Primary Standard Industrial  
Classification Code Number)

**22-3061278**  
(IRS Employer  
Identification No.)

**BioNitrogen Holdings Corp.**  
**1400 Centrepark Blvd., Suite 860, West Palm Beach, FL 33401**  
**+1 (561) 600-9550**

(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

**BioNitrogen Holdings Corp. and Subsidiaries**  
**Consolidated Balance Sheets**

	December 31, 2014	December 31, 2013
<b>Assets</b>		
<b>Current assets</b>		
Cash	\$ 1,687,528	\$ 49,352
Other current assets	423,230	12,578
<b>Total current assets</b>	<b>2,110,758</b>	<b>61,930</b>
Property, plant and equipment, net	7,538,779	2,402,635
Intangible assets	180,265	159,202
Other noncurrent assets	20,675	14,409
<b>Total assets</b>	<b>\$ 9,850,477</b>	<b>\$ 2,638,176</b>
<b>Liabilities and stockholders' equity</b>		
Accounts payable	\$ 4,058,854	\$2,253,698
Other current liabilities	117,916	364,046
Notes payable	6,050,000	300,000
<b>Total current liabilities</b>	<b>10,226,770</b>	<b>2,917,744</b>
Long term debt	1,490,384	-
<b>Total liabilities</b>	<b>11,717,154</b>	<b>2,917,744</b>
<b>Commitments and contingencies (Note 11)</b>		
<b>Stockholders' equity:</b>		
Series A convertible preferred stock, par value \$0.001 – 10,000,000 shares authorized, issued and outstanding at December 31, 2014 and 2013, respectively.	10,000	10,000
Common stock, par value \$0.001 – 1,000,000,000 shares authorized; 406,633,517 and 360,633,248, shares issued and outstanding at December 31, 2014 and 2013, respectively.	406,633	360,634
Additional paid-in capital	20,592,012	18,691,150
Accumulated deficit	(22,875,322)	(19,341,352)
<b>Total stockholders' equity</b>	<b>(1,866,677)</b>	<b>(279,569)</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$9,850,477</b>	<b>\$2,638,176</b>

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

**BioNitrogen Holdings Corp. and Subsidiaries**

**Consolidated Statements of Operations**

	<b>Year Ended December 31, 2014</b>	<b>Year Ended December 31, 2013</b>
<b>Revenues</b>	<b>\$ -</b>	<b>\$ 83,640</b>
<b>Operating expenses:</b>		
General and administrative expense	<b>2,998,161</b>	2,743,470
Stock compensation expense	<b>72,900</b>	137,333
Warrant expense	<b>-</b>	-
Depreciation expense	<b>30,575</b>	25,291
Loss from operations	<b>( 3,102,636 )</b>	( 2,822,454 )
Interest expense	<b>( 431,334 )</b>	( 2,431,254 )
<b>Net loss</b>	<b>\$( 3,533,970 )</b>	<b>\$( 5,253,708 )</b>

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

**BioNitrogen Holdings Corp. and Subsidiaries**  
**Consolidated Statements of Stockholders' Equity (Deficit)**

	<b>Series A Convertible Preferred Stock</b>		<b>Common Stock</b>		<b>Additional Paid-in Capital</b>	<b>Deficit Accumulated</b>	<b>Total Shareholders' Equity (Deficit)</b>
	<b>Shares</b>	<b>\$</b>	<b>Shares</b>	<b>\$</b>			
<b>January 1, 2013</b>	10,000,000	\$10,000	201,833,520	\$201,834	\$13,992,140	\$(14,041,950)	\$ 162,023
Issuance of Common stock	-	-	24,433,332	24,433	1,130,567	-	1,155,000
Issuance of Common stock for conversion of debentures	-	-	108,600,702	108,601	1,036,619	-	1,145,220
Issuance of Common stock for warrants exercised	-	-	9,250,000	9,250	575,750	-	585,000
Issuance of Common stock for cashless exercise of stock options	-	-	16,515,694	16,516	(16,516)	-	-
Stock compensation – options	-	-	-	-	137,333	-	137,333
Discount on issuance of warrants in connection with convertible debentures	-	-	-	-	1,835,257	-	1,835,257
Net loss	-	-	-	-	-	( 5,299,402)	( 5,299,402)
<b>Balance December 31, 2013</b>	<b>10,000,000</b>	<b>\$10,000</b>	<b>360,633,248</b>	<b>\$ 360,634</b>	<b>\$ 18,691,150</b>	<b>\$ (19,341,352)</b>	<b>\$ (279,568)</b>
Issuance of Common stock	-	-	47,880,000	33,849	1,056,421	-	1,090,270
Issuance of Common stock for warrants exercised	-	-	12,150,269	12,150	716,866	-	729,016
Stock compensation – options	-	-	-	-	127,575	-	127,575
Net loss	-	-	-	-	-	( 3,533,970)	( 3,533,970)
<b>Balance December 31, 2014</b>	<b>10,000,000</b>	<b>\$ 10,000</b>	<b>406,633,517</b>	<b>\$ 406,633</b>	<b>\$ 20,592,012</b>	<b>\$ (22,875,322)</b>	<b>\$ (1,866,677)</b>

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

**BioNitrogen Holdings Corp. and Subsidiaries**

**Consolidated Statements of Cash Flows**

	<b>Year Ended December 31, 2014</b>	<b>Year Ended December 31, 2013</b>
<b>Cash flows from operating activities:</b>		
Net loss	<b>\$( 3,533,970 )</b>	\$( 5,299,402 )
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation	<b>30,575</b>	26,372
Accretion of convertible debentures	<b>-</b>	1,948,728
Stock compensation - options	<b>127,575</b>	137,333
Changes in operating assets and liabilities :		
Intangible assets	<b>( 21,062 )</b>	( 36,572 )
Other current assets	<b>(410,653 )</b>	22,895
Other non-current assets	<b>( 6,266 )</b>	( 9,969 )
Accounts payable	<b>1,805,156</b>	1,952,084
Other current liabilities	<b>(46,130 )</b>	(64,727 )
Total adjustments	<b>1,424,520</b>	3,976,142
<b>Net cash provided used in operating activities</b>	<b>( 2,109,450 )</b>	( 1,323,259 )
<b>Cash flows from investing activities:</b>		
Capital expenditures	<b>( 5,366,719 )</b>	( 1,601,813 )
<b>Net cash used in investing activities</b>	<b>( 5,366,719 )</b>	( 1,601,813 )
<b>Cash flows from financing activities:</b>		
Proceeds from issuance of debt	<b>7,240,384</b>	300,000
Proceeds from issuance of convertible debentures	<b>-</b>	622,500
Proceeds from issuance of Common stock	<b>2,058,016</b>	2,010,000
<b>Net cash provided by financing activities</b>	<b>2,932,500</b>	2,932,500
<b>Net increase in cash and cash equivalents</b>	<b>1,638,176</b>	7,428
Cash and cash equivalents at beginning of period	<b>49,352</b>	41,924
<b>Cash and cash equivalents at end of period</b>	<b>\$1,687,528</b>	\$49,352

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

**BioNitrogen Holdings Corp. and Subsidiaries**  
**Notes to consolidated financial statements**

**Note 1 Nature of Operations and Going Concern**

BioNitrogen Holdings Corp. ("BioNitrogen" or the "Company"), was incorporated under the laws of the state of New Jersey on September 16, 1990. The corporate office of BioNitrogen is located at 1400 Centrepark Blvd., Suite 860, West Palm Beach, Florida 33401.

On August 29, 2011 the Company changed its name to Bio Nitrogen Corporation after a Share Exchange Agreement in May of 2011, whereby a subsidiary, Bio-SNG Technologies International Corp ("Bio-SNG") effectuated a reverse merger. (Note 3)

BioNitrogen is a development stage enterprise focused on building fully operational, turnkey manufacturing facilities to produce urea fertilizer. The Company's innovative, patented and patent-pending technologies transform residual agricultural waste and other biomass materials into urea for sale to farmers and agricultural wholesalers and retailers. Activities to date include obtaining patent-pending technologies, hiring qualified personnel, acquiring land and raising capital to fund operations. The Company continues to report as a development enterprise since April 1, 2011 as planned principal operations have not yet commenced. Since re-entering the development stage, no revenue has been recognized.

Going concern

The ability of the Company to obtain necessary financing to build its manufacturing facilities and fund ongoing operating expenses is uncertain. The ability of the Company to generate sales revenue to offset the expenses and obtain profitability is uncertain. The Company had a net loss of \$3,533,970 for the twelve months ended December 31, 2014. These material uncertainties cast doubt on the Company's ability to continue as a going concern. The Company will require additional financing from time to time, which it intends to obtain through the issue of convertible debentures, common shares, debt, bonds, grants and other financial instruments. While the Company has been successful in raising debt financing through the issuances of convertible debentures that are convertible for common shares in the past, there is no assurance that it will be able to obtain adequate financing in the future or that such financing will be available on acceptable terms.

Liquidity

As of December 31, 2014, the Company had cash and cash equivalents of \$1,687,528. As of December 31, 2014 the Company had working capital deficit of \$8,166,012.

The Company's plans with respect to its liquidity management include the following:

- The Company is seeking additional capital in the private and/or public equity markets to continue operations and build manufacturing facilities. The Company is currently evaluating additional equity and debt financing opportunities and may execute them when appropriate. However, there can be no assurances that the Company can consummate such a transaction, or consummate a transaction at favorable pricing.
- The Company has received T.E.F.R.A. approval by the Louisiana Attorney General, after receiving approval from the Louisiana Community Development Authority ("LCDA") which is composed of the Governor, lieutenant Governor, Attorney General, State Treasurer and other high ranking state and legislative officials, for the issuance of up to \$1.25 billion in tax-exempt bonds for the acquisition, development and construction of up to five plants in Pointe Coupee Parish, Louisiana.
- The Company has received \$300 million in tax-exempt bond allocation from the LCDA for the initial plant in in Pointe Coupee Parish, Louisiana.
- The Company has received \$300 million in tax free bond allocation from the State Division of Bond Finance in Florida for a plant in Hendry County, Florida.
- The Company has received a tax abatement from the Hendry County Florida Board of County Commissioners for a 90% tax abatement per year for the next ten (10) years.
- The Company has received \$9.6 million in Florida State New Market Tax Credits for Hendry BN Fertilizer and Construction Services, LLC related to the Hendry County Plant.

- The Company has received over \$1 million in Qualified Targeted Industries tax credits and Florida Department of Transportation improvement funding related to the Hendry County Plant.
- The Company has received a \$300 million tax free bond T.E.F.R.A. hearing and resolution from the Taylor County Development Authority for a plant in Taylor County, Florida.
- The Company has received a tax abatement from the Taylor County Florida Board of County Commissioners for a 90% tax abatement per year for the next ten (10) years.
- The Company has received a \$5 million loan guarantee from the city of Perry in Taylor County Florida for a plant project in Taylor County.
- The Company is seeking additional sources of revenue prior to plant production, including sublicensing its technology and/or revenues related to the mulch, fertilizer and biomass industries.

## **Note 2 Summary of Significant Accounting Policies**

### **Basis of Presentation and Principles of Consolidation**

The Company's consolidated financial statements and the notes thereto have been prepared in accordance with Generally Accepted Accounting Principles ("GAAP") in the United States of America. The consolidated financial statements include BioNitrogen Holdings Corp., and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated.

### **Use of estimates and judgments**

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 consolidated financial statements and the reported amounts of expenses during the reporting period. Key areas of estimation include the estimated useful lives of property, plant, equipment and intangibles assets and liabilities, income taxes, and the valuation of stock-based compensation. Due to the uncertainty inherent in such estimates, actual results may differ from the Company's estimate.

### **Segment Reporting**

The Company operates as one segment, in which management uses one measure of profitability, and all of the Company's assets are located in the United States of America. The Company does not operate separate lines of business or separate business entities with respect to any of its product candidates. Accordingly, the Company does not have separately reportable segments.

### **Intangible Assets**

At December 31, 2014 and 2013, the Company was the holder of certain patented and patent-pending technologies and/or rights to technologies. These intangible assets will be amortized on a straight-line method over the estimated lives upon the utilization of the patent-pending technologies. Intangible assets were \$180,265 and \$159,202 at December 31, 2014 and 2013, respectively.

### **Impairment of Long-Lived Assets**

The Company reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. Factors that the Company considers in deciding when to perform an impairment review include significant underperformance of the business in relation to expectations, significant negative industry or economic trends, and significant changes or planned changes in the use of the assets. If an impairment review is performed to evaluate long-lived asset for recoverability, the Company compares forecasts of undiscounted cash flows expected to result from the use and eventual disposition of the long-lived asset to its carrying value. An impairment loss would be recognized when estimated undiscounted future cash flows expected to result from the use of an asset over its fair value, determined based on discounted cash flows. To date, the Company has not recorded any impairment losses on long-lived assets.

## **Stock-based Compensation**

The Company expenses stock-based compensation to employees over the requisite service period based on the estimated grant-date fair value of the awards and forfeiture rates. For stock-based compensation awards to non-employees, the Company remeasures the fair value of the non-employee awards at each reporting period prior to vesting and finally at the vesting date of the award. Changes in the estimated fair value of these non-employee awards are recognized as compensation expense in the period change.

The assumptions used in calculating fair value of stock-based awards represent management's best estimated and involve inherent uncertainties and the applications of management's judgment. The Company estimated the fair value of the granted stock options using the Black-Scholes model.

## **Income Taxes**

The Company accounts for income taxes under the liability method whereby deferred tax assets and liabilities are provided for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Deferred tax assets are recorded when management believes it is more likely than not that the tax benefits will be realized. Realization of the deferred tax assets is dependent upon generating sufficient taxable income in the future. The amount of deferred tax asset considered realizable could change in the near term if estimates of future income are modified.

The Company assesses its tax positions in accordance with "Accounting for Uncertainties in Income Taxes" as prescribed by the Accounting Standards Codification, which provides guidance for financial statement recognition and measurement of uncertain tax positions taken or expected to be taken in a tax return for open tax years (generally a period of three years from the later of each return's due date or the date filed) that remain subject to examination by the Company's major tax jurisdictions. Generally, the Company is no longer subject to income tax examinations by major taxing authorities for years before 2009.

The Company assesses its tax positions and determines whether it has any material unrecognized liabilities for uncertain tax positions. The Company records these liabilities to the extent it deems them more likely than not to be incurred. Interest and penalties related to uncertain tax positions, if any, would be classified as a component of income tax expense.

The Company believes that it does not have any significant uncertain tax positions requiring recognition or measurement in the accompanying financial statements.

## **Fair Value Measurements**

Fair value is defined as the price that the Company would receive to sell an investment or pay to transfer a liability in a timely transaction with an independent counter-party in the principal market or in the absence of a principal market, the most advantageous market for the investment or liability. Fair value measurement establishes a three-tier hierarchy to distinguish between (1) inputs that reflect the assumptions market participants would use in pricing an asset or liability developed based on market data obtained from sources independent of the reporting entity (observable inputs) and (2) inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing an asset or liability developed based on the best information available in the circumstances (unobservable inputs) and to establish classification of fair value measurements for disclosure purposes. Various inputs are used in determining the value of the Company's investments.

The inputs are summarized in the three broad levels listed below.

Level 1 – Quoted prices in active markets for identical assets and liabilities

Level 2 – Other observable inputs, such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.



Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Company discloses estimated fair values of its financial instruments. The Company, in estimating the fair values of financial instruments disclosed herein, used the following methods and assumptions:

Cash – The carrying amounts of cash approximate their fair value, which is characterized as a Level 1 in the fair value hierarchy.

Notes payable – The carrying amounts of these short-term borrowings approximate their fair values. Fair values for borrowings are estimated based upon the interest rates, current economic conditions, risk characteristics, collateral and other factors and are characterized as a Level 2 in the fair value hierarchy.

Convertible debentures – The carrying amounts of short-term borrowings approximate their fair values. Fair values for borrowings are estimated using a discounted cash flow calculation that applies interest rates currently being offered on advances to a schedule of aggregated expected monthly maturities, which is characterized as a Level 3 in the fair value hierarchy.

### **Property, Plant and Equipment**

Plant and equipment is recorded at cost and is depreciated using a straight-line method over the estimated useful life of each asset. Leasehold improvements are depreciated over the shorter of their estimated useful lives or the term of the respective lease. The estimated useful lives are as follows:

<b>Asset</b>	<b>Rate</b>
Furniture and fixtures	3 years
Computer and telecommunications equipment	3 years
Leasehold improvements	3 years

Plant assets are capitalized and not depreciated until the plant is completed and available for production. Land is not subject to depreciation.

### **Loss per Share Information**

The Company presents basic and diluted earnings (loss) per share (“EPS”). Basic EPS is calculated by dividing the net loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the reporting period. Diluted EPS is calculated by dividing the net loss attributable to ordinary shareholders of the Company by the weighted average number of common shares outstanding, adjusted for the effects of all dilutive potential common shares.

### **Cash**

From time to time the Company maintains cash with financial institutions in excess of federally insured limits.

### **NOTE 3 Reverse Merger and Stock Split**

On November 8, 2011 the Company effectuated a 300 to 1 reverse stock split and all shares of common stock outstanding presented have been retroactively adjusted.

On November 11, 2011 the Company entered into a Share Exchange Agreement as part of a reverse merger between Public Ventures Americas Corp (“PVAC”), Bio-SNG Technologies International, Corp. (“Bio-SNG”), and the Company (at that time operating under the name of Hidenet Secured Architectures, Inc.). Pursuant to this agreement (i) the owners of Bio-SNG, agreed to exchange their shares in Bio-SNG for shares in a public company, which became BioNitrogen and (ii) PVAC agreed to locate and acquire a publicly listed company free of debt to merge into, which was renamed BioNitrogen. As part of this agreement, i) Bio-SNG, became a wholly owned subsidiary of BioNitrogen and the shareholders of Bio-SNG received

100,000,001 common shares and 10,000,000 preferred shares with a 10 to 1 voting preference, and ii) PVAC would receive 100,000,000 common shares of the new public company.

During 2012, the Company granted warrants to purchase 15,000,000 shares of common stock to Agricultural Bioenergy Products, LLC (“ABP”) for a sublicense agreement and the transfer of the technology, instead of just a sublicense agreement, over to BioNitrogen at an exercise price of \$0.06, with a fair value of \$990,000, which is exercisable until June 30, 2015. Because this transaction was part of the reverse merger transaction of 2011 the Company did not capitalize the transaction or take a corresponding expense. As part of this agreement the Company is required to pay a royalty equal to 2.5% of the gross receipts of each plant that uses the acquired technology.

#### NOTE 4 Property, plant and equipment

Property, plant and equipment consisted of the following:

	December 31, 2014
Land	\$1,348,909
Plant	6,182,675
Furniture and fixtures	41,579
Other	22,101
Total assets prior to accumulated depreciation	7,595,264
Accumulated depreciation	(56,485)
<b>Total</b>	<b>\$ 7,538,779</b>

Depreciation expense related to property, plant and equipment amounted to \$30,575 for the year ended December 31, 2014.

#### NOTE 5 Accounts Payable and Accrued Liabilities

The Company has standard terms with trade payables ranging from due upon receipt to net 30 days. Accounts payable and accrued liabilities consisted of the following as of December 31, 2014 and 2013.

	December 31, 2014	December 31, 2013
Accounts payable	\$4,058,854	\$2,253,698
Salaries and executive consultants payable	-	137,620
Interest payable	97,506	4,016
Financed insurance payable	20,410	20,410
Convertible debenture payable	-	200,000
<b>Total</b>	<b>\$4,176,770</b>	<b>\$2,617,744</b>

## **NOTE 6 Notes payable**

On December 31, 2012, the Company's subsidiary, BioNitrogen Plant FL Hardee, LLC, entered into two sales and purchase agreements for the purchase of 606 acres of land in Hardee County, Florida. We purchased the property for \$8,250,000 and entered into a mortgage and promissory note with the seller. The land purchase price was fully seller financed. In the first quarter of 2015, the land was returned to the seller and the mortgage was cancelled in a foreclosure process, effectively cancelling any and all liabilities related to the property with no recourse to any other BioNitrogen affiliated companies. As of the date of filing the financial statements, the debt have been extinguished. The Company therefore presented the mortgage cancellation and removal of the land retroactively.

In December 2013, the Company entered into a \$1,000,000 loan with Annon Consulting. The loan was used to fund engineering costs and was a short term loan with a 2.0% interest rate per month. The Company is currently renegotiating the note to extend the repayment terms and eventually cancel the note during 2015.

On September 4, 2014, the Company's subsidiary, BioNitrogen Plant FL Taylor, LLC ("Plant Taylor"), closed on a \$5 million loan with Community & Southern Bank. The loan is guaranteed by a \$5 million cash collateral account provided by the city of Perry, Florida. The proceeds of the loan are being used to pay for engineering and other costs related to the plant to be constructed in Taylor County. The loan has an annual interest rate of 2% that is paid monthly. The loan is to be repaid upon closing of the bond financing for the Taylor Plant.

## **NOTE 7 Long Term Debt**

On April 22, 2014, the Company's subsidiary, Hendry BN Construction & Fertilizer Services, LLC ("Hendry BN"), closed on a \$9.6 million New Market Tax Credit ("NMTC") allocation. The allocation resulted in approximately \$1.5 million in cash proceeds to the Company in the form of long term debt. The debt has an annual interest rate of 1.0% with payments annually. The loan payments are interest only for the first seven years. The principal is repaid starting in 2021 in annual even payments. The proceeds of the financing will be used for capital equipment, engineering, closing costs and improvements to the Hendry County site, including feedstock and fertilizer services and related equipment. Hendry BN will operate on approximately 15 acres at the Weekley Industrial Park in Clewiston, Florida and provide mulch, feedstock, construction and fertilizer services to the site, Hendry County and surrounding areas. The business is expected to provide five (5) full time jobs over the next year and will directly support the development of the site manufacturing facility that will generate an expected additional 47 full time jobs.

## **NOTE 8 Stockholder's Equity**

### Series A Convertible Preferred Stock

On September 17, 2011, the Company issued 10,000,000 Series A convertible preferred shares. So long as the Series A convertible preferred shares are outstanding the Company is prohibited from issuing any series of stock having rights senior to the Series A convertible preferred shares, or issuing any series of stock ranking in parity with Series A convertible preferred shares as to dividend or liquidation rights or having a right to vote on any matter without the approval of the holders of the outstanding Series A convertible preferred shares. The holders of the Series A convertible preferred shares shall be entitled to receive dividends, in preference to the holders of any other shares of capital stock of the Company, and be cumulative whether or not earned or declared and whether or not there are profits, surplus or other funds, it shall be allocated pro-rata. Upon liquidation, dissolution, or winding up of the Company, whether voluntary or involuntary, each holder of Series A convertible preferred shares will be entitled to receive dividends, before any distribution of assets is made to holders of common stock or any other stock of the Company. If the assets are insufficient, the holders of Series A convertible preferred shares will share ratably in any distribution of assets. Each share shall be convertible at any time at the option of the holder thereof into one share of fully paid and non-assessable share of common stock. Any amount of accrued and unpaid dividends due thereon shall also be

convertible into shares of common stock at the conversion price of \$0.001 per share. The holders of the Series A convertible preferred shares receive ten (10) voting rights for each share of Series A convertible preferred shares held of record.

#### NOTE 9 Net Loss per Common Shares

Basic net loss per share is calculated by dividing the net loss attributable to common stockholders by the weighted-average number of shares of common stock outstanding during the period, without consideration for common stock equivalents. Diluted net loss per share is computed by dividing the net loss attributable to common stockholders by the weighted-average number of common stock and common stock equivalents outstanding for the period. For purposes of this calculation, common stock equivalents are not included in the calculation of diluted net loss per share. A calculation of basic and diluted net loss per share follows, for the years ended:

	December 31, 2014	December 31, 2013
<b>Historical net loss per share:</b>		
<i>Numerator</i>		
Net loss attributed to common stockholders	\$(3,533,970)	\$(5,299,402)
<i>Denominator</i>		
Weighted average common shares outstanding (for basic and diluted net loss per share)	387,738,406	286,018,990
Basic and diluted net loss per share attributed to common stockholders	\$(0.009)	\$(0.019)

The Company's potential dilutive securities which include convertible preferred stock, stock options and warrants have been excluded from the computation of diluted net loss per share as the effect would be to reduce the net loss per share. Therefore, the weighted-average common stock outstanding used to calculate both basic and diluted net loss per share are the same.

#### Note 10 Stock Based Compensation

##### Stock Options:

In June 2012, the Company's Board of Directors adopted the Incentive Stock Option Plan (the "Plan"). Under the Plan, the Company is authorized to grant up to 100,000,000 options to purchase shares of common stock to eligible employees, directors and consultants in the form of stock options and other types of grants. The amount, terms, and exercisability provisions of grants are determined by the Board of Directors. Options typically have an exercise period of up to five years.

During 2012, 36,500,000 stock options have been issued with an exercise price equal to the nearest closing price obtained from public market prices. Stock options awarded vest at different lengths of time and have a five year term. The Company estimated the fair value of the granted stock options using the Black-Scholes model based upon:

1. The underlying stock price of the common shares of the Company
2. The strike price of the common stock options
3. Years until expiration of the common stock options
4. The annualized volatility of the Company's underlying stock
5. The risk-free rate interest rate
6. The dividend yield of the Company's common share stock

In applying this model the following assumptions are made:

The Company calculated a volatility rate based upon the historical volatility of the Company's stock. The Company's calculated implied volatility ranged from 208% to 232%.

The Company calculated a risk-free rate based on the implied yields of the U.S. Treasury zero-coupon issues with a remaining term equal to the expected term used as the assumption in the model. The rate used was based on the coupon rate for 5 year bonds of the daily treasury yield curve rates. The expected term is from one to five years. The Company's calculated risk free rate ranged from 0.63% to 0.76%.

The Company calculated a dividend rate of 0% as the Company has never issued dividends to shareholders and the Company does not expect to issue dividends in the foreseeable future.

The Company recorded a stock option expense of \$137,333 and \$1,548,167 as of December 31, 2013 and 2012, respectively.

The following table summarizes stock option activity:

**Outstanding Options**

	<b>Number of Shares</b>	<b>Weighted Average Exercise Price</b>	<b>Total Intrinsic Value</b>	<b>Weighted Average Remaining Contractual Life (in years)</b>
Outstanding at December 31, 2012	36,500,000	\$ 0.05	\$ 6,810,000	2.65
Options granted	-	-	-	-
Options exercised	(16,515,694)	0.05	4,034,000	-
Options forfeited	(5,484,306)	0.05	1,165,920	-
Options cancelled	-	-	-	-
Outstanding at December 31, 2013	14,500,000	\$0.05	\$1,015,750	3.57
Options granted	-	-	-	-
Options exercised	-	-	-	-
Options forfeited	-	-	-	-
Options cancelled	-	-	-	-
Outstanding at December 31, 2014	14,500,000	\$0.05	\$1,015,750	3.57
Options vested and expected to vest	13,250,000	\$0.05	\$1,610,000	3.53
Options vested and exercisable	13,250,000	\$0.05	\$1,610,000	3.53

The following table summarizes the activity with respect to the non-vested stock options:

	<b>Number of Shares</b>	<b>Weighted Average Exercise Price</b>
Non-vested December 31, 2012	3,275,000	\$ 0.050
Options granted	-	-
Options vested	(2,025,000)	0.050
Options forfeited	-	-
Options cancelled	-	-
Non-vested at December 31, 2013	1,250,000	\$ 0.050
Options granted	-	-
Options vested	-	-
Options forfeited	-	-
Options cancelled	-	-
Non-vested at December 31, 2014	1,250,000	\$0.050

### **Warrants:**

During 2012, the Company issued 47,000,000 warrants to purchase common stock to various consultants at an exercise price of \$0.06 expiring June 30, 2015. Compensation for the warrants issued totaled \$1,628,000 for the year ended December 31, 2012. The value of the warrants was obtained utilizing the Black-Scholes model and includes the following assumptions:

- Exercise price of \$0.06
- Calculated volatility ranged from 208% to 232%
- Risk free rate of interest ranged from 0.16% to 0.43%
- Expected life of warrants ranged from one to three years

The following table summarizes warrant activity:

### **Outstanding Warrants**

	<b>Number of Shares</b>	<b>Weighted Average Exercise Price</b>	<b>Total Intrinsic Value</b>	<b>Weighted Average Remaining Contractual Life (in years)</b>
Outstanding at December 31, 2012	47,000,000	\$ 0.060	\$ 11,750,000	2.50
Warrants granted	-	-	-	-
Warrants exercised	-	-	-	-

Warrants expired	-	-	-	-
Outstanding at December 31, 2013	47,000,000	\$0.060	\$11,750,000	1.50
Warrants granted	-	-	-	-
Warrants exercised	-	-	-	-
Warrants expired	-	-	-	-
Outstanding at December 31, 2014	47,000,000	\$0.060	\$11,750,000	0.50
Warrants vested and expected to vest	47,000,000	\$0.060	\$11,750,000	0.50
Warrants vested and exercisable	47,000,000	\$0.060	\$11,750,000	0.50

#### NOTE 11 Commitments and Contingencies

On September 20, 2013, the Company entered into a 3 year and 4 month lease agreement for office space in West Palm Beach, Florida. The address is 1400 Centrepark Blvd., Suite 860, West Palm Beach, FL 33401. The Company was required to provide \$11,779 as a security deposit. The rent for the first year is \$37,450 and increases to \$38,567 for the second year, \$39,735 for the third year and \$40,928 for the fourth year. The office measures 2,539 square feet.

The Company through its subsidiary Bio-SNG shall pay a royalty equal to 2.50% of gross receipts from each plant constructed or operated that uses the Conversion Technology acquired from ABP in the 2011 merger, including any and all plants that are owned or operated by Bio-SNG, its affiliates, subsidiaries, and sub-licenses.

On May 25, 2012, the Company entered into a consulting agreement with B Group, LLC ("B Group") for a period of three years, with automatic one year renewals until such time as it is terminated. B Group is owned by Bryan Kornegay, a director of the Company. B Group provides financial and management affiliate services. B Group receives an annual fee of \$500,000 and warrants to purchase 10,000,000 shares of common stock, with an exercise price of \$0.06 and an expiration date of June 30, 2015. B Group is also entitled to designate two Board members to the Board of Directors of the Company. In October 2014, this contract was cancelled and replaced with a contract that ties the annual fee to plant milestones.

In addition to the consulting agreements described in note 4, the Company is committed under certain consulting agreements for advisory services through June 30, 2015 for an aggregate of \$240,000 per year.

On March 26, 2014, the Company's subsidiary Hendry BN Construction & Fertilizer Services, LLC leased approximately 15 acres including a 50,000 square foot warehouse and a 36,500 square foot warehouse and office building in Clewiston, Hendry County, Florida. The address is 3013 Evercane Road (CR 835), Clewiston, FL 33440. The Company was required to provide \$20,000 as a security deposit. The lease is for five years and has the option to renew for up to four additional five year periods. The rent for the first four month is \$10,000 plus taxes and increases to \$22,000 for the next three months and then \$22,000 per month thereafter.

On March 27, 2014, the Company's subsidiary BioNitrogen Plant FL Hendry, LLC entered into an agreement to purchase 240 acres in Clewiston, Hendry County, Florida. The address is 3400 Foley Road, Taylor County, Florida. The Company has the right to purchase the land for \$25,000 per acre. During due diligence, the Company was made aware that the environmental issues on less than 15 acres in the northwest section had been expanded from water well drilling restrictions to include restrictions on the excavation of soil. The Company decided to cancel the purchase of all 240 acres and focus on purchasing a smaller portion of the industrial park. The smaller portion is approximately 75 acres and undeveloped agricultural

land used to grow sugar cane. The company is performing due diligence on this land, such as environmental reports and soil borings, with the intent of closing in 2015.

On April 22, 2014, the Company's subsidiary, Hendry BN Construction & Fertilizer Services, LLC ("Hendry BN"), closed on a \$9.6 million New Market Tax Credit ("NMTC") allocation. The proceeds of the financing will be used for capital equipment, engineering, closing costs and improvements to the Hendry County site, including feedstock and fertilizer services and related equipment. Hendry BN will operate on approximately 15 acres at the Weekley Industrial Park in Clewiston, Florida and provide mulch, feedstock, construction and fertilizer services to the site, Hendry County and surrounding areas. The business is expected to provide five (5) full time jobs over the next year and will directly support the development of the site manufacturing facility that will generate an expected additional 47 full time jobs.

On May 13, 2014, the Company terminated the Definitive Feasibility Study ("DFS") contract with the CCC Group, Inc. and directly entered into an agreement with AMEC to perform the initial stages of work for the purposes of developing a DFS for the Engineering Procurement and Construction ("EPC") contract. On June 18, 2014, the Company signed an Engineering Master Services Agreement ("MSA") with AMEC to cover the work, under a Task Order system, to be performed for FEL 2 and FEL3 engineering for a firm price EPC contract. We continue to work closely with AMEC under the MSA and the multiple Task Order structure to advance the engineering for a firm price EPC contract.

On June 16, 2014, the Company issued a Purchase Order to Andritz Carbona (Andritz Oy Division), based in Finland, in acceptance of the Andritz proposal to the Company dated June 13, 2014 for the purpose of completing the required FEL2 and FEL 3 Engineering work needed to construct a Bubbling Fluidized Bed and Ash Handling Gasification system leading up to an Engineering Procurement and Construction ("EPC") contract. The Company is committed to this agreement in the amount of €390,000.

On July 2, 2014, the Company issued a Purchase Order to Haldor Topsoe (Haldor Topsoe A/S), based in Denmark, in acceptance of the Haldor Topsoe proposal to the Company dated June 10, 2014 for the purpose of completing the required FEL2 and FEL3 Engineering work in advance of an Engineering Procurement and Construction ("EPC") contract. The FEL2 and FEL3 engineering work is for the following: a SynGas Cleanup and Conditioning Plant, a 300 STPD Ammonia Plant, a 520 STPD Urea plant and a 520 STPD Urea Granulation unit. The Urea Plant and Granulation FEL2 and FEL 3 engineering work will be provided by Saipem based in Italy. The Company is committed to this agreement in the amount of €5,875,000.

On September 3, 2014 BioNitrogen Holdings Corp. (the "Company") entered into a Confidential Settlement Agreement (the "Settlement Agreement") with certain shareholders of the Company holding shares of the Company as of December 31, 2006 (the "Hidenet Parties"). The Hidenet Parties were controlling shareholders of the Company as of December 31, 2006 when Hidenet Secure Architectures, Inc. (predecessor to the Company) ceased operations and went dormant and before the Company was brought back into good standing with the Secretary of State of New Jersey on May 11, 2011.

The Hidenet Parties alleged that various actions of the Company since the end of fiscal year 2006 were ultra vires and without proper approval from the Board of Directors and shareholders of the Company. After conducting an investigation, the Company concluded that the claims, while speculative, could pose exposure to potential liability, potential significant legal costs, and delay of the ongoing concerns of the underlying business and the Company and therefore entered into the Settlement Agreement which settles and compromises any and all existing, potential or possible claims the Hidenet Parties might have or believe to have against the Company with an assignment of any such claims to the Company, and ratifies key actions taken by the Company since the end of fiscal year 2006.

The amount payable by the Company pursuant to the Settlement Agreement is subject to the validated execution of the Settlement Agreement, on or prior to December 31, 2014, by the Hidenet Parties and other shareholders of the Company holding shares of the Company as of December 31, 2006 (the "Hidenet Shares" and the "Hidenet Shareholders", respectively) as follows: (i) \$50,000 was paid on the date of execution of the Settlement Agreement, (ii) \$200,000 shall be deposited in escrow upon validated execution of the Settlement Agreement by Hidenet Shareholders representing more than 50% of the Hidenet Shares and (iii) an additional \$50,000 shall be deposited in escrow upon validated execution of the Settlement Agreement by Hidenet Shareholders representing more than 67.35% of the Hidenet Shares (the aggregate funds referred to in (i) to (iii) above are referred to as the "Settlement Funds" and the aggregate funds referred to in (ii) to (iii) above are referred to as the "Escrow Fund"). The Settlement Funds shall be used to fund the monetary consideration to the Hidenet Shareholders. Each Hidenet Shareholder will be entitled to its pro-rata share of the Settlement Funds (less any interest accrued thereon) based upon the proportion of Hidenet Shares held by the respective Hidenet Shareholder on December 31, 2006. Payments from the Escrow Fund portion of the



Settlement Funds will be paid after the Companies verifies validated execution of the Settlement Agreement. The Escrow Fund will terminate on December 31, 2014, at which time any unpaid portions thereof will be returned to the Company. During the first part of 2015, the Company settled the Confidential Settlement Agreement.

#### **NOTE 12 Income Taxes**

The Company has incurred net operating losses since inception. The Company has not reflected any benefit of such net operating loss carry forwards ("NOL") in the accompanying consolidated financial statements and has established a full valuation allowance against its deferred tax assets.

Deferred income taxes reflect the net effect of (a) temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, and (b) operating losses and tax credit carry forwards.

The reconciliation of the combined U.S. Federal and State statutory income tax rate (34.0%) on the loss for the years ended December 31. The Company in the United States must also account for a 5.5% tax rate in the state of Florida.

The Company has federal net operating loss carry forwards which expire beginning in 2026. Utilization of the net operating loss carry forwards and credits may be subject to a substantial annual limitation due to the ownership change limitations provided by the Internal Revenue Code of 1986, as amended, or the IRC, and similar state provisions. The Company has not performed a detailed analysis to determine whether an ownership change under Section 382 of the IRC has occurred. The effect of an ownership change would be the imposition of an annual limitation on the use of net operating loss carry forwards attributable to periods before the change. Any limitation may result in expiration of a portion of the NOL or research and development credit carry forwards before utilization.

The Company has no unrecognized tax benefits and does not anticipate any significant change to the unrecognized tax benefit balance. The Company would classify interest and penalties related to uncertain tax positions in income tax expense, if applicable. There was no interest expense or penalties related to unrecognized tax benefits recorded through December 31, 2014. The tax years 2007 through 2014 remain open to examination by one or more major taxing jurisdictions to which the Company is subject.