BioNeutral Group, Inc
Form 10-Q
June 14, 2010

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

FORM 10-Q

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

For the quarterly period ended April 30, 2010

OR

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

For the transition period from _______ to _______.

Commission File No. 333-149235

BIONEUTRAL GROUP, INC.
(Exact name of registrant as specified in its charter)

Nevada (State or other jurisdiction of incorporation or organization)	26-0745273 (I.R.S. Employer Identification No.)
211 Warren Street, Newark, New Jersey (Address of principal executive offices)	07103 (Zip Code)

(973) 286-2899
(Registrant’s telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted 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 and post such files). o Yes o No

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

Large accelerated filer	o	Accelerated filer	o
Non-accelerated filer (Do not check if a smaller reporting company)	o	Smaller reporting company	x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). oYes xNo

The number of shares of the registrant's common stock, par value $0.00001 per share, outstanding as of June 7, 2010 was 66,968,604 shares. (See explanatory note preceding Item 1 of this Form 10-Q).

BIONEUTRAL GROUP, INC.

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Explanatory Note: Our transfer agent's records indicate that as of June 7, 2010, 66,968,604 shares of our common stock were outstanding. Our records, however, indicate that as of June 7, 2010, there were 61,199,200 shares of our common stock outstanding. See Part I, Item 2 of this Quarterly Report on Form 10-Q for additional information.

PART I — FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

BIONEUTRAL GROUP, INC.
CONSOLIDATED BALANCE SHEETS
AS OF APRIL 30, 2010 and OCTOBER 31, 2009

		April 30, 2010 Unaudited		October 31, 2009
ASSETS				
Current Assets				
Cash	$	324,876	$	139,663
Accounts Receivable		2,825		2,825
Inventory		2,925		2,925
Prepaid Expenses (Note 2)		108,000		192,007
Prepaid Expenses-Related Parties (Note 2)		295,335		438,668
Total Current Assets		733,961		776,088
Property & Equipment (Note 3)		1,099		1,206
Patents (Note 4)		11,498,478		11,739,033
Other Assets		2,500		2,500
TOTAL ASSETS	$	12,236,038	$	12,518,827
LIABILITIES & STOCKHOLDERS' EQUITY				
Current Liabilities				
Loan From Stockholder (Note 7)	$	100,000	$	-
Accounts Payable & Accrued Expenses (Note 5)		2,036,302		1,169,521
Related Party Payables (Note 6)		92,299		31,412
Current Liabilities		2,228,601		1,200,933
Long Term Liabilities				
Exchangeable Loans From Director (Note 7)		505,000		-
Exchangeable Loans From Stockholder (Note 7)		760,000		-
Total long Term Liabilities		1,265,000		-
TOTAL LIABILITIES		3,493,601		1,200,933
Commitments & Contingencies (Note 12)				
Equity: (Note 9)				
Bioneutral Group, Inc. Stockholders' Equity				

Preferred Stock, Series A, $.001 par value; 800,000 shares				
authorized, 279,991 and 279,991 issued and outstanding				
at April 30, 2010 and October 31, 2009 respectively.		280		280
Preferred Stock, $.001 par value; 4,200,000 shares authorized,				
0 shares issued and outstanding at April 30, 2010 and				
October 31, 2009.		-		-
Common Stock, $.00001 Par Value; 200,000,000 shares authorized,				
61,099,200 shares and 60,849,200 shares issued and				
outstanding at April 30, 2010 and October 31, 2009 respectively.		611		608
Additional Paid-in Capital		56,725,655		56,675,657
Accumulated Deficit		(48,532,033)		(46,260,596)
Total Bioneutral Group, Inc. Stockholders' Equity		8,194,513		10,415,949
Noncontrolling Interest		547,924		901,945
Total Equity		8,742,437		11,317,894
TOTAL LIABILITIES AND EQUITY	$	12,236,038	$	12,518,827

The Accompanying Notes Are an Integral Part of these Consolidated Financial Statements

BIONEUTRAL GROUP, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended April 30, Unaudited		Six Months Ended April 30, Unaudited	
	2010	2009 Restated	2010	2009 Restated
Revenues	$ -	$ -	$ -	$ -
Cost of Revenues	-	-	-	-
Gross Profit (Loss)	-	-	-	-
Operating Expenses				
Depreciation and Amortization	173,651	170,952	346,588	283,384
Other Selling, General and Administrative Expenses	942,368	1,210,088	2,247,200	3,419,478
Total Operating Expenses	1,116,019	1,381,040	2,593,788	3,702,862
Loss from Operations	(1,116,019)	(1,381,040)	(2,593,788)	(3,702,862)
Other Income and Expenses	(20,792)	(925)	(31,672)	186
Net Loss Before Income Taxes	(1,136,811)	(1,381,965)	(2,625,460)	(3,702,676)
Provision for Income Taxes	-	-	-	-
Net Loss	(1,136,811)	(1,381,965)	(2,625,460)	(3,702,676)
Add: Net loss Attibutable to the Non-controlling Interest	153,289	197,535	354,021	529,253
Net Loss Attributable to BioNeutral Group, Inc.	$ (983,522)	$ (1,184,430)	$ (2,271,439)	$ (3,173,423)
Basic and Diluted Net Loss Per Share	$ (0.02)	$ (0.02)	$ (0.04)	$ (0.08)
Weighted Average Number of Common Shares Used to Compute Basic and Diluted Loss per Share	60,877,290	55,886,662	60,863,012	39,343,362

The Accompanying Notes Are an Integral Part of these Consolidated Financial Statements

BIONEUTRAL GROUP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended April 30,	
	2010	2009
	Unaudited	Unaudited / Restated
CASH USED IN OPERATING ACTIVITIES		
Net Loss	$(2,271,439)	$(3,173,423)
Adjustments to Reconcile Net Loss To Net Cash Used in Operating Activities		
Stock Based Compensation	157,632	2,734,499
Depreciation and Amortization	346,588	283,384
Net Loss Attributed to Non Controlling Interest	(354,021)	(529,253)
Forgiveness of Debt	-	(2,251)
Changes in Operating Assets and Liabilities		
(Increase) / Decrease in Prepaid Expenses	69,708	(26,500)
Increase in Accounts Payable and Accrued Expenses	754,540	100,978
NET CASH USED IN OPERATING ACTIVITIES	(1,296,992)	(612,566)
CASH USED IN INVESTING ACTIVITIES		
Expenditures for Patentable Technology and Associated Patent Costs	(1,654)	(9,927)
NET CASH USED IN INVESTING ACTIVITIES	(1,654)	(9,927)
CASH PROVIDED BY FINANCING ACTIVITIES		
Net Proceeds From Issuance of Stock	50,000	630,000
Repayment of Loans from Former Board Members	-	(33,517)
Increase in Related Party Payables- Director	52,827	8,012
Deferral of Interest on Related Party Payables-Director Notes	751	2,836
Interest added to exchangeable notes	15,000	
Deferral of interest on exchangeable notes	15,281	
Increase in Loan from Stockholder	100,000	
Proceeds from Exchangeable Promissory Notes	1,250,000	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	1,483,859	607,331
NET INCREASE / (DECREASE) IN CASH & CASH EQUIVALENTS	185,213	(15,162)
CASH & CASH EQUIVALENTS, BEGINNING OF PERIOD	139,663	85,938

CASH & CASH EQUIVALENTS, END OF PERIOD	$324,876	$70,776
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid For Interest	$-	$3,517
Cash Paid For Income Taxes	$-	$-
SUPPLEMENTAL DISCLOSURE OF NON-CASH INFORMATION		
Non-cash Patent Cost Additions	$104,272	$96,000
Cancellation of Debt Upon Agreement to Issue Shares of Common Stock	$-	$20,000
Issuance of Common Stock in Lieu of Expense reimbursement and Cash compensation	$-	$10,000
Issuance of Common Stock in Exchange for Intellectual Property	-	$4,730,250
Issuance of Common Stock for Prepaid Consulting Contracts	$-	$11,800,000

The Accompanying Notes Are an Integral Part of these Consolidated Financial Statements

Notes to Consolidated Financial Statements
(Unaudited)

1.
Basis of
Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires management to make estimates and judgments that may affect the amounts reported in its consolidated financial statements and accompanying notes. Actual results may differ from these estimates under different assumptions or conditions.

The financial information as of October 31, 2009 is derived from the audited financial statements presented in the BioNeutral Group, Inc. (the "Company") Annual Report on Form 10-K for the year ended October 31, 2009. Certain information or footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted, pursuant to the rules and regulations of the Securities and Exchange Commission. In the opinion of management, the accompanying financial statements include all adjustments necessary (which are of a normal and recurring nature) for the fair statement of the results of the interim periods presented. The accompanying financial statements should be read in conjunction with the Company's audited financial statements for the year ended October 31, 2009, as presented in the Company's Annual Report on Form 10-K.

Operating results for the six months ended April 30, 2010 are not necessarily indicative of the results that may be expected for the entire fiscal year ending October 31, 2010.

References throughout the Notes to Consolidated Financial Statements to "BioLabs" or "BioNeutral Laboratories" are to our subsidiary BioNeutral Laboratories Corporation USA.

The Company's consolidated financial statements for the six months ended April 30, 2009 include certain restatements to the statements previously filed with the Securities and Exchange Commission ("SEC") (see Note 15 to the Financial Statements, below).

Initial Adoption of Accounting Policy - In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements — an amendment of ARB No. 51. This statement guidance, which has been codified within ASC 810-10-65, Consolidations, establishes reporting standards for noncontrolling interests in subsidiaries. This statement changed the presentation of noncontrolling interests in subsidiaries in the financial statements for the Company beginning November 1, 2009.

Note 2 - Prepaid Expenses

The Company periodically pays for services supporting its business operations with shares of its common stock. When these services are provided by third parties (i.e. non-employees) and performance extends over more than the current reporting period, a prepaid asset is established at the agreement date for the value of shares issued. The prepaid asset is established in the same period and manner as if cash were paid for the underlying goods or services, pursuant to FASB ASC 505-50-25-4 and 25-6.

Amounts are expensed on a straight line basis (and the prepaid asset reduced) over the periods the services are provided. The prepaid expense balance includes $ 48,000 and $ 122,299 at April 30, 2010 and October 31, 2009, respectively, for share based payments to non-employees for services and $ 60,000 and $ 69,708 at April 30, 2010 and October 31, 2009, respectively, for prepaid expenses paid in cash.

The prepaid expenses – related parties includes $39,900 and $99,900 of prepaid expenses paid in cash to a related party at April 30, 2010 and October 31, 2009, respectively and $255,435 and $338,768 of prepaid expenses paid in shares to a related party at April 30, 2010 and October 31, 2009, respectively.

Note 3 - Property & Equipment

Property and equipment consisted of the following:

	April 30, 2010	October 31, 2009
Computer Hardware	$ 4,233	$ 4,233
Furniture and Fixtures	1,494	1,494
Less: Accumulated Depreciation & Amortization	(4,628)	(4,521)
	$ 1,099	$ 1,206

Note 4 - Patents

The Company has several patent applications pending regarding proprietary chemical formulations that the Company believes are capable of neutralizing noxious chemicals and eliminating harmful microbes. The Company capitalized the costs of acquired technology, know-how and trade secrets and identifiable costs incurred to develop, file and defend the Company's patents and new patent or provisional patent applications in accordance with FASB ASC 350. Periodic gross carrying amounts and related accumulated amortization were as follows:

	April 30, 2010	October 31, 2009
Gross Carrying Amount	$ 15,030,985	$ 14,925,058
Accumulated Amortization	(3,532,507)	(3,186,025)
Net Carrying Amount	$ 11,498,478	$ 11,739,033

The Company follows FASB ASC 350-30-35 and amortizes the costs of its patents over the shorter of its specific useful life, or 20 years. The Company is amortizing its patents over 20 years, with no anticipated residual value. Amortization expense for the three months ended April 30, 2010 and 2009 was $ 173,598 and $ 170,898, respectively. Amortization expenses for the six months ended April 30, 2010 and 2009 was $ 346,482 and $283,277, respectively.

Estimated amortization expense is as follows:

For The Year Ending:	Amount
10/31/2010	$ 695,000
10/31/2011	$ 695,000
10/31/2012	$ 695,000
10/31/2013	$ 695,000
10/31/2014	$ 695,000

The patents are evaluated annually for recoverability pursuant to FASB ASC 350-30-35-14 and related guidance in ASC 360-10-35-17 through 35-35. An impairment loss is recognized if the asset is determined not to be recoverable and its carrying amount exceeds its fair value.

Note 5 – Accounts Payable & Accrued Expenses

Accounts payable and accrued expenses consisted of the following:

	April 30, 2010	October 31, 2009
Accrued Compensation	$ 525,000	$ 423,000
Other Liabilities	1,511,302	746,521
	$ 2,036,302	$ 1,169,521

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Note 6 - Related Party Payables

The Company and one of its directors, Raj Pamani, are parties to a consulting agreement, dated as of June 15, 2008, pursuant to which Mr. Pamani agreed to accept responsibilities and take direction from the Company's Board of Directors. Under this agreement, the Company is obligated to pay Mr. Pamani $10,000 per month. During the three months ended April 30, 2010 and 2009, the Company paid or credited $30,000 and $30,000 respectively, to Mr. Pamani under this agreement, which were recorded as consulting expenses and recorded in the Company's related party payable account. During the six months ended April 30, 2010 and 2009, the Company paid or credited $53,000 and $60,000 respectively to Mr. Pamani under this agreement, which were recorded as consulting expenses and recorded in the Company’s related party payable account. Mr. Pamani has charged certain personal expenses against the Company's cash account which have been treated by the Company as repayment of the related party payable. At April 30, 2010 and October 31, 2009, the balance owed to the director was $55,130 and $2,303, respectively.

On September 6, 2008, the Company entered into an agreement with Jina Partners Ltd. (“Jina”), an affiliate of Raj Pamani, for consulting services relating to the development of certain commercial transactions. Under this agreement, the Company is obligated to pay Jina $10,000 per month. The term of this agreement is two years. For six months ended April 30, 2010 and 2009, the Company paid or credited $60,000 and $86,500 respectively, to Jina, of which $26,500 of the 2009 payments were reclassified to prepaid expenses for future services. See Note 11 Related Party Transactions.

On January 29, 2009, the Company repaid loans of $33,517 owed to three former members of the Company’s Board of Directors who resigned their positions with the Company on January 29, 2009. The balance of the amounts payable to former members of the Board of Directors at April 30, 2010 and October 31, 2009 was $29,860 and $29,109.

In addition, approximately $7,309 of accrued interest owed to a director was recorded as a related party payable.

Thus the total amounts due related parties at April 30, 2010 and October 31, 2009 is as shown in the following table:

	Due to Related parties	
	April 30, 2010	October 31, 2009
Due to director	$ 55,130	$ 2,303
Loans from Board members	$ 29,860	$ 29,109
Interest due to director	$ 7,309	$ -
Total due related parties	$ 92,299	$ 31,412

Note 7 – Shareholder and Director Exchangeable Loans

On November 13, 2009, the Company issued (i) an unsecured promissory note to Michael D. Francis, a shareholder of the Company, in the amount of $250,000 (the “First Francis Note”), (ii) a second unsecured promissory note on January 4, 2010 in the amount of $250,000 (the “Second Francis Note”) and a (iii) a third unsecured promissory note in the amount of $250,000 on March 15, 2010 of which $100,000 was drawn down by the Company on March 15, 2010 and $150,000 on April 1, 2010 (the “Third Francis Note) and (iv) a fourth unsecured promissory note in the amount of $100,000 on April 30, 2010 (the “Fourth Francis Note”) (together the “Francis Notes”) containing substantially the same terms and conditions as the First Francis Note.

Gross proceeds in the amount of $100,000 were received by the Company from Mr. Francis on April 30, 2010, (the "Fourth Francis Note"). As of this date, the Company has not issued a formal note and accordingly the loan has been treated as a demand loan and has been included on the Company's balance sheet at April 30, 2010 in current liabilities.

On November 13, 2009, the Company issued an unsecured promissory note to Capara Investments LLC ("Capara"), in the amount of $250,000 (the "First Capara Note"), which issuances resulted in gross proceeds to the Company of $250,000 and (ii) a second unsecured promissory note to Capara Investments on January 4, 2010 in the amount of $250,000. The sole member of Capara, Raj Pamani, is a member of the Board of Directors and a shareholder of the Company.

The Francis Notes and the Capara Notes are sometimes referred to herein as the "Shareholder Notes" and resulted in gross proceeds to the Company of $1,350,000 of which, as noted above, $100,000 is included in current liabilities of the Company.

Each of the Shareholders Notes (i) bears an 8% annual interest rate, (ii) is due and payable in cash on the fifth anniversary of the date of issuance, and (iii) upon consummation of a "Qualified Financing" (as defined in each of the Capital shareholder Notes), will automatically be exchanged for, at our election, either (i) securities on the same terms and conditions as those received by investors in such Qualified Financing based on an assumed exchange rate reflecting the pricing used in such financing or (ii) shares of our common stock equal to the quotient obtained by dividing (x) the then outstanding principal amount of the Shareholder Note by (y) the lower of (i) $0.69 and (ii) the Fair Market Value (as defined in the Shareholder Notes) of one share of our common stock as of the date of such exchange. On each three (3) month anniversary of the issuance of each Shareholder Note, all accrued and unpaid interest shall be added to the unpaid principal amount of such note. Each of the Shareholder Notes defines "Qualified Financing" as an investment in securities of the Company (including any financing that includes convertible indebtedness and/or warrants) occurring after the date of issuance of the Shareholder Note by an investor that is not an affiliate of our company in which we receive net proceeds greater than $500,000 (including any additional investment by the holder of the Shareholder Note or by the holder of any other 8% Exchangeable Promissory Note) in the Qualified Financing.

Accrued and unpaid interest is added to the unpaid principal amount of the Shareholder Notes every three months. Interest expense on the Shareholder Notes for the six months ended April 30, 2010 and 2009 was $30,281 and $0, respectively. As of April 30, 2010, $15,000 of accrued interest was added to the principal amount of the Shareholder Notes.

Note 8 - Stock Based Compensation

The Company issues shares of its common stock to employees and non-employees as compensation for services provided. Stock based compensation related to employees is accounted for in accordance with FASB ASC 718-10 and ASC 505-50 for non-employees. All shares issued during the presented periods were fully vested upon grant of the shares or no later than the respective period end dates.

Employees

Measurement of compensation cost related to common shares issued to employees is based on the grant date fair value of the shares. Fair value was determined through the use of quoted prices on the Over The Counter Bulletin Board (OTCBB) and applying a 10% discount for the restricted nature of the shares or arms-length exchanges of shares for cash in private transactions, in periods that quoted market prices were not available.

During the six months ended April 30, 2010 and 2009, 0 and 1,040,024 shares of the Company's common stock were issued to employees and Board members, respectively as compensation for services and were vested at the end of the related period. The weighted average grant date fair value for these same periods was $0 and $1.00 respectively.

The total value of common shares issued to employees and vested during the six months ended April 30, 2010 and 2009 were $0 and $1,040,024 respectively. These amounts are also reported on the income statement as compensation expense (included in Other Selling, General and Administrative Expenses) for the related periods. There was no related tax benefits recognized.

Non-Employees

Measurement of compensation cost related to common shares issued to non-employees for services is based on the value of the services provided or the fair value of the shares issued. Each transaction is reviewed to determine the more reliably measurable basis for the valuation, pursuant to FASB ASC 505-50-30-6.

During the six months ended April 30, 2010 and 2009, 0 and 12,050,000 shares of the Company's common stock, respectively, were granted to non-employees as compensation for future services and were vested at the end of the related period. The weighted average grant date fair value for the six months ended April 30, 2010 and 2009 was $0 and $1.00, respectively.

The total value of shares of the Company's common stock issued to non-employees and vested during the six months ended April 30, 2010 and 2009 were $ 0 and $ 12,050,000, respectively. For the six months ended April 30, 2010 and 2009, $157,632 and $1,694,475 respectively was recognized as expense and reported on the Company’s income statement as compensation expense (included in Other Selling, General and Administrative Expenses) for the related periods.

Note 9 - Equity (Non-Controlling Interest)

Non-Controlling Interest

On January 30, 2009, the Company entered into a share exchange agreement (the “Share Exchange Agreement”), with BioNeutral Laboratories pursuant to which the Company agreed to issue to the shareholders of BioNeutral Laboratories 45,000,000 shares of the Company's common stock (the “Share Exchange”). As a result of the closing of the Share Exchange, BioNeutral Laboratories became our subsidiary, and the shareholders of BioNeutral Laboratories acquired the majority ownership and control of the Company. The Company reviewed the Financial Accounting Standards Board Accounting Standards Codification 805-40 (“FASB ASC 805-40”) and determined that BioNeutral Laboratories was the accounting acquirer and the entity which would be continuing operations. As a result, the transaction between BioNeutral Laboratories and the Company was accounted for as a reverse acquisition in accordance with FASB ASC 805-40.

In connection with the Share Exchange, approximately 14% of BioLabs common shareholders did not participate in the exchange of their shares of BioLabs common stock for shares of common stock of the Company. Those shareholders are recognized as a noncontrolling interest in the Company’s financial statements in accordance with FASB ACS 805-40-25-2. The assets, liabilities and operations underlying the shares of BioLabs and the Company are identical. However, the shares representing ownership of the Company reflect the combined entity after the Share Exchange transaction, while BioLabs shares included in the non-controlling interest held by the non-controlling interest represent ownership of that legal entity.

Non-Controlling Interest on October 31, 2009	$ 901,945
Conversion to BioNeutral Group Shares During 6 months ended 04/30/2010	-
Non-Controlling interest Share of Net Loss	(354,021)
Non-Controlling Interest at April 30 ,2010	$ 547,924

The outstanding shares of Series A Preferred Stock of BioLabs are not recognized in the non-controlling interest. If the 279,991 outstanding shares of Series A Preferred Stock were fully converted into shares of BioLabs common stock and holders of such shares did not exchange those shares for Company common stock, the non-controlling interest would be 19.65%.

Note 10 - Taxes

Federal

The Company has had operating losses since inception and there is no provision for corporate income taxes for federal purposes. Therefore, there are no deferred tax amounts as of April 30, 2010 and October 31, 2009, respectively.

Nevada

The Company is incorporated in Nevada but does not conduct business in Nevada.

The Company has not filed federal tax returns for the fiscal years ended December 31, 2007, the ten months ended October 31, 2008 or the fiscal year ended October 31, 2009. Those returns, which are not expected to report any tax due, are currently being prepared. The Company has its primary operations in the State of New Jersey and is required to file New Jersey corporate income tax returns. The Company has not filed New Jersey State tax returns. The Company is in the process of bringing its filings of New Jersey State Tax Returns up to date. Since the Company has incurred operating and tax losses for each of the years for which returns have not been filed, it anticipates that only minimal taxes will be due, including any interest and penalties that might be assessed.

The Company is not in discussions with any tax authorities whereby any settlements over past due taxes are in progress.

FASB ASC 740 Income Taxes, requires the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred income taxes are recognized for the tax consequences of “temporary differences” by applying enacted statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax basis of existing assets and liabilities.

The Company's net deferred tax asset as of April 30, 2010 and October 31, 2009 consisted of the following:

		April 30, 2010		October 31, 2009
Net operating loss carry forward	$	30,601,108	$	28,512,212
Valuation allowance		(30,601,108)		(28,512,212)
Net deferred tax asset	$	-	$	-

The net operating losses generated in the year ended October 31, 2009 will begin to expire in 2029. The Company has recorded a full allowance against its deferred tax assets due to the fact that the likelihood of any benefit being derived by the Company in future years is indeterminable as of the date of these consolidated financial statements.

The components of current income tax expense for the six months ended April 30, 2010 and 2009 consisted of the following:

		April 30, 2010		April 30, 2009
Current federal tax expense	$	-	$	-
Current state tax expense		-		-
Change in Potential NOL benefits		2,121,346		684,900
Change in valuation allowance		(2,121,346)		(684,900)
Income tax expense	$	-	$	-

The following is a reconciliation of the provision for income taxes at the United States federal income tax rate to the income taxes reflected in the statement of operations:

	April 30, 2010	April 30, 2009
Tax expense (credit) at statutory rate-federal	(35%)	(35%)
State tax expense net of federal tax	(6%)	(6%)
Changes in valuation allowance	41%	41%
Tax expense at actual rate	0%	0%

Ownership Change For Tax Purposes

The Company believes that the cumulative issuances of its common shares likely resulted in an “ownership change” for tax purposes. This determination would have no effect on the Company’s reported historic results. However, under this treatment, the Company’s ability to utilize its net operating loss carry-forwards in future years, in the event the Company has net income for federal and state income tax purposes, which is not assured, may be very limited and there can be no assurance the Company would be able to fully utilize this tax benefit in full over the periods it is allowed. The Company intends to conduct further analysis to confirm this treatment.

Note 11 - Related Party Transactions

Related Party Transactions During the Six Months Ended April 30, 2010

The Company and one of its directors, Raj Pamani, are parties to a consulting agreement, dated as of June 15, 2008, pursuant to which Mr. Pamani agreed to accept responsibilities and take direction from the Company's board of directors. Under this agreement, the Company is obligated to pay Mr. Pamani $10,000 per month. During the six months ended April 30, 2010 and 2009, the Company paid or credited $53,000 and $60,000 respectively, to Mr. Pamani under this agreement, which were recorded as consulting expenses and recorded in the Company's related party payable account. Mr. Pamani has charged certain personal expenses against the Company's cash account which have been treated by the Company as repayment of the related party payable.   At April 30, 2010 and October 31, 2009, the balance owed to the director was $55,130 and $2,303, respectively.

On September 6, 2008, the Company entered into an agreement with Jina Partners Ltd. (“Jina”), an affiliate of Raj Pamani, for consulting services relating to the development of certain commercial transactions. Under this agreement, the Company is obligated to pay Jina $10,000 per month. The term of this agreement is two years. For six months ended April 30, 2010 and 2009, we paid or credited $ 60,000 (which was charged against prepaid expenses-related parties) and $ 86,500 respectively, to Jina, of which $26,500 of the 2009 payments were reclassified as prepaid expenses-related parties for future service.

The Company has an agreement with its Chief Scientist and Corporate Secretary, Dr. Andrew Kielbania to compensate him in the amount of $10,000 per month for services to the Company, of which $9,000 per month is charged to Patent Costs. At April 30, 2010 and October 31, 2009, $175,000 and $115,000 respectively was owed to Dr. Kielbania and is included in Accounts payable and accrued expenses in the respective balance sheets.

During the six months ended April 30, 2010, an entity controlled by the Company’s Chief Executive Officer billed the Company $32,896 for data security services provided to the Company.

In addition, in January 2009 RK and Associates, a company controlled by Suresh Relwani, a director of the Company, was granted 500,000 shares of common stock of the Company, valued at $500,000, as consideration for future North American business development efforts on behalf of the Company. The amount is being amortized over three years. At April 30, 2010, the balance of prepaid stock compensation (included in prepaid expenses-related parties) was $255,435.

The Company has made payments on three automobile leases entered into on behalf of the Company by Dr. Andrew Kielbania, Chief Scientist and Secretary of the Company since June 10, 2008. One of these automobiles is driven by Dr. Kielbania and one of the automobiles has been driven by a director since October 2008 and one automobile is stored at the residence of the same director. Payments during the six months ended April 30, 2010 and April 30, 2009 totaled $10,409 and $10,409, respectively.

On November 13, 2009, the Company issued (i) an unsecured promissory note to Michael D. Francis, a shareholder of the Company, in the amount of $250,000 (the "First Francis Note"), (ii) a second unsecured promissory note on January 4, 2010 in the amount of $250,000 (the "Second Francis Note") and a (iii) a third unsecured promissory note in the amount of $250,000 on March 15, 2010 of which $100,000 was drawn down by the Company on March 15, 2010 and $150,000 on April 1, 2010 (the "Third Francis Note) and (iv) a fourth unsecured promissory note in the amount of $100,000 on April 30, 2010 (the "Fourth Francis Note") (together the "Francis Notes") containing substantially the same terms and conditions as the First Francis Note.

Gross proceeds in the amount of $100,000 were received by the Company from Mr. Francis on April 30, 2010 (the "Fourth Francis Note"). As of this date, the Company has not issued a formal note and accordingly the loan has been treated as a demand loan and has been included on the Company's balance sheet at April 30, 2010 in current liabilities.

On November 13, 2009, the Company issued an unsecured promissory note to Capara Investments LLC ("Capara"), in the amount of $250,000 (the "First Capara Note"), which issuances resulted in gross proceeds to the Company of $250,000 and (ii) a second unsecured promissory note to Capara Investments on January 4, 2010 in the amount of $250,000. The sole member of Capara, Raj Pamani, is a member of the Board of Directors and a shareholder of the Company.

The Francis Notes and the Capara Notes are sometimes referred to herein as the "Shareholder Notes" and resulted in gross proceed to the Company of $1,350,000 of which, as noted above, $100,000 is included in current liabilities of the Company.

Each of the Shareholders Notes (i) bears an 8% annual interest rate, (ii) is due and payable in cash on the fifth anniversary of the date of issuance, and (iii) upon consummation of a "Qualified Financing" (as defined in each of the Capital shareholder Notes), will automatically be exchanged for, at our election, either (i) securities on the same terms and conditions as those received by investors in such Qualified Financing based on an assumed exchange rate reflecting the pricing used in such financing or (ii) shares of our common stock equal to the quotient obtained by dividing (x) the then outstanding principal amount of the Shareholder Note by (y) the lower of (i) $0.69 and (ii) the Fair Market Value (as defined in the Shareholder Notes) of one share of our common stock as of the date of such exchange. On each three (3) month anniversary of the issuance of each Shareholder Note, all accrued and unpaid interest shall be added to the unpaid principal amount of such note. Each of the Shareholder Notes defines "Qualified Financing" as an investment in securities of the Company (including any financing that includes convertible indebtedness and/or warrants) occurring after the date of issuance of the Shareholder Note by an investor that is not an affiliate of our company in which we receive net proceeds greater than $500,000 (including any additional investment by the holder of the Shareholder Note or by the holder of any other 8% Exchangeable Promissory Note) in the Qualified Financing.

Accrued and unpaid interest is added to the unpaid principal amount of the Shareholder Notes every three months. Interest expense on the Shareholder Notes for the six months ended April 30, 2010 and 2009 was $30,281 and $0, respectively. As of April 30, 2010, $15,000 of accrued interest was added to the principal amount of the Shareholder Notes.

Note 12 – Commitments & Contingencies

Litigation

On October 1, 2009, the SEC issued a formal order of investigation to the Company regarding possible securities laws violations by the Company and other persons. The investigation concerns the process by which the Company became a publicly traded entity, trading in the Company's shares, and disclosure and promotion of developments in the Company's business. The SEC has requested that the Company deliver certain documents to the SEC. The Company has, and will continue to fully cooperate with the SEC with respect to its investigation. The Company has incurred, and expects to continue to incur, significant costs in responding to such investigation. Any adverse findings by the SEC in connection with such investigation could have a material adverse impact on the Company's business, including the Company's ability to continue to operate as a publicly traded company.

In April 2005, the Company filed in the US Patent and Trademark Office (the "USPTO") an application for the registration of the trademarks BioNeutral™, Ogiene™ and Ygiene™, based on its intent to use each of these marks in commerce. In April 2006, the USPTO issued notices of allowance signifying that each of these trademarks was entitled to registration after timely submission of statements of use, including evidence that such trademarks have been properly used in commerce. From June through November of 2008, however, the Company's applications for each of these trademarks were declared abandoned by the USPTO, since the Company inadvertently failed to timely file the appropriate statements of use with respect to each trademark within the six-month period from the date the USPTO issued the respective notices of allowance. In July 2009, the Company refiled applications for each of these trademarks as well as the Compnay's tagline SCIENCE TO SAVE LIVES & PROTECT THE ENVIRONMENT™; however, the Company learned that PURE Bioscience, a company focused on the development and commercialization of bioscience products, had filed applications for the registration of the trademarks BioNeutral™ and Ygiene™ prior to the Company's refiling of its applications. Although the Company has filed with the Trademark Trial and Appeal Board oppositions to PURE Bioscience's applications and intend to pursue such oppositions vigorously, the Company cannot assure you that it will be successful with such opposition on a timely basis, if at all.

Other than the foregoing, the Company is not a party to, and none of the Company’s property is the subject of, any pending legal proceedings other than routine litigation that is incidental to the Company’s business.

Chertoff Agreement

On August 26, 2009, the Company entered into an advisory agreement (the “Original Agreement”) with the Chertoff Group, LLC (“Chertoff Group”) whereby Chertoff Group agreed to provide certain professional services to the Company.

The Agreement provided for a monthly advisory fee payable by the Company to Chertoff Group of $75,000 per month. In addition, the Agreement obligated the Company to make an equity award to Chertoff Group in the form of restricted stock or restricted stock units representing the right to receive, on a fully diluted basis, 10% of Company’s common stock on terms to be mutually agreed by the Company and Chertoff Group.

On February 3, 2010, the Company and Chertoff Group entered into a First Amendment to the Advisory Agreement (the “Amendment”) which amends the Original Agreement by and between the Company and the Chertoff Group. The Amendment modified, among other things, the scope of services to be provided under the Original Agreement by the Chertoff Group and the personnel to provide such services and reduced the monthly fee for such services to $28,000 per month during the term of the Original Agreement.

In connection with the execution and delivery of the Amendment, the Company also entered into a Stock Appreciation Rights Agreement (the "SAR Agreement"), a Restricted Stock Unit Agreement (the "RSU Agreement") and a Registration Rights Agreement, dated as of February 3, 2010, with the Chertoff Group (the “Registration Rights Agreement” and together with the SAR Agreement and the RSU Agreement, the “Equity Award Agreements”). The Equity Award Agreements evidence the terms of the equity award required to be made to Chertoff Group pursuant to the Amendment with Chertoff Group.

Pursuant to the SAR Agreement, the Company granted 7,442,725 stock appreciation rights to Chertoff Group, evidencing its right to receive in value, the excess of the Fair Market Value (FMV) of one share of common stock on the date of exercise (as defined in the SAR Agreement) over $0.186. FMV is defined in the Agreement as the “last sales price reported” for the Company’s common stock on the applicable date and currently refers to the closing bid price on the OTCBB for such date.

The SARs vest 25% on September 1, 2010, 50% on September 1, 2011, and 100% on September 1, 2012. In addition, such vesting shall accelerate and fully vest upon the occurrence of certain events specified in the SAR Agreement, including a "change in control" of the Company (as defined in the SAR Agreement). The SARs are subject to forfeit in certain circumstances and “Termination for Cause” pursuant to the agreement. The fully vested value of the SARs as of April 30, 2010, based on the OTCBB closing bid price of $0.44 was $1,890,452. On a fully vested basis, this would result in 4,296,482 shares of the Company’s common stock being issued under the SAR Agreement on April 30, 2010. The SARs have a 10 year exercise period from the Original Agreement date.

Pursuant to the RSU Agreement, the Company granted to Chertoff Group the right to receive on the “Delivery Date” (as defined in the RSU Agreement) a number of shares of the Company's common stock with a value of $1,384,347. The amount of shares to be issued is determined by dividing the greater of (i) the Fair Market Value of a share of common stock on the Delivery Date (currently defined as the closing bid price on the OTCBB on the applicable date) and (ii) $0.186. The RSU Agreement defines “Delivery Date” as the earlier to occur of January 2, 2013 and the date that is immediately prior to a Change in Control of the Company (as defined in the RSU Agreement). The RSUs vest on the same schedule as the SARS. The FMV of the Company’s common stock on April 30, 2010 was $0.44. On a fully vested basis, this would result in 3,146,243 shares of the Company’s common stock being issued under the RSU Agreement.

As of April 30, 2010, none of the SARs or RSUs have vested. Vesting shall accelerate and fully vest upon the occurrence of certain events specified in the Equity Awards Agreements, including a "change in control" of the Company (as defined in the Agreements).

Pursuant to the Registration Rights Agreement, the Company granted certain registration rights and preemptive rights to Chertoff Group. These rights provide for registration upon request by Chertoff Group but not later than the later to occur of the 150 day anniversary of the date of delivery of the Chertoff Group request or June 30, 2012. Additionally, Chertoff Group possesses piggyback registration rights for the Equity Award.

Other Contingencies

Approximately 6 million shares of the Company's common stock issued pursuant to the Share Exchange Agreement were issued by the then transfer agent to stockholders of BioLabs for whom the Company does not have records as having consented to the Share Exchange. The Company currently holds approximately 86% of the outstanding interests in its subsidiary, BioLabs. In connection with the Share Exchange, certain shareholders of BioLabs delivered shareholder consents (the “Share Exchange Consents”), to BioLabs approving the execution and delivery by BioLabs of the Share Exchange Agreement (each, a "Consenting Shareholder"). The Company did not receive consents to the Share Exchange from all common and preferred shareholders of BioLabs, and the Company has accounted for those shareholders who did not sign consents as holders of the remaining 14% outstanding interests in BioLabs. As described in “Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations—Company Structure” in this Quarterly Report on Form 10-Q, the Share Exchange Consents did not specify the number of shares of BioLabs common stock to be exchanged by the Consenting Shareholder and did not affirmatively make the representation and warranties to be made by the Consenting Shareholder as set forth in the Share Exchange. In light of such omissions, there can be no assurances that a shareholder will not challenge the validity of its consent and request a rescission offer in respect of shares of common stock issued to such person. There can also be no assurances that in light of the content of such Shareholder Consent, the Company had a basis for a valid private placement of its common stock issued in the Share Exchange, which if such were the case, may negatively affect our status as a publicly traded company.

In addition, the Company believes that the shareholders who consented to the Share Exchange and were issued shares of Company common stock failed to deliver the stock certificates representing their shares of common stock and Series A Preferred Stock of BioLabs and may claim they also have an ownership interest in BioLabs. Although the Company would challenge any such claims, it cannot assure investors that it would prevail, in which case the Company’s percentage ownership interest in BioLabs would decrease.

Note 13 – Going Concern

The Company's financial statements are prepared using generally accepted accounting principles applicable to a going concern which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The Company has had no significant revenues and has generated losses from operations. In order to continue as a going concern and achieve a profitable level of operations, the Company will need, among other things, additional capital resources and to develop a consistent source of revenues. The ability of the Company to continue as a going concern is dependent upon its ability to successfully accomplish its strategic plan and/or recognize revenue from its intangible assets and eventually attain profitable operations. The accompanying financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern. There can be no assurance the Company will be able to continue as a going concern.

At April 30, 2010, the Company had negative working capital of $(1,494,640). For the six months ended April 30, 2010 the Company incurred a net loss of $(2,625,460) and since inception has an accumulated a deficit of $(48,532,033).

Note 14 Subsequent Events:

Steri-7 Letter of Intent

On May 15, 2010, the Company entered into a non-binding Letter of Intent (“LOI”) with Steri-7, a United Kingdom-based company engaged in a complimentary business to BioNeutral Group. The LOI contemplates an acquisition of Steri-7’s shares or assets by the Company. However, it creates no legal obligation for either company to proceed to completion of the arrangement and allows either party to terminate the agreement by taking no action. In addition to active consent by both parties, the current terms of the LOI stipulate a number of milestones that must be achieved by the Company in order for the transaction to be consummated, including but not limited to the raising of specified capital.

Sale of Shares

On May 12, 2010 the Company received proceeds of $25,000 in exchange for issuing 100,000 shares of its common stock to an individual investor.

Note 15 – Prior Period Adjustments

As a result of the non-cash adjustments made to the value of Patents as disclosed in the Company’s October 31, 2009 financial statements, amortization of patent costs was adjusted. In addition, the Company identified errors in recording related party transactions and unrecorded liabilities. These adjustments together with the correction of the weighted average shares outstanding and the recalculation of the non-controlling interest resulted in the adjustments shown in the table below. Certain reclassifications have been made to the previously reported financial statements to comply with current GAAP standards.

Effect of Restatements on theFinancial Statements for the six months ended April 30, 2009

Account(s) Affected	As Restated	Adjustment	As Previously Reported
Patents	$ 11,975,032	$ 226,395	$ 11,748,637
Total Assets	$ 22,306,735	$ 73,442	$ 22,233,293

Total Liabilities	$	722,455	$	48,057	$	674,398
Non-controlling Interest (included in Stockholders' Equity)	$	2,640,966		1,214,427		1,426,539
Total Stockholders' Equity	$	21,584,280	$	25,385	$	21,558,895
Net Loss	$	(3,173,423)	$	(170,610)	$	(3,002,813)
Weighted average shares outstanding		39,343,362		(76,641,279)		115,984,641
Basic and diluted Net Loss Per Share	$	(0.08)	$	(.05)	$	(.03)

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

The following discussion and analysis of the consolidated financial condition and results of operations of BioNeutral Group, Inc. (the "Company," "we" or "us") should be read in conjunction with the consolidated financial statements and notes thereto appearing elsewhere herein. In the following discussions, most percentages and dollar amounts have been rounded to aid presentation, and accordingly, all amounts are approximations.

Forward-Looking Information

This Quarterly Report on Form 10-Q contains forward looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act").

All statements other than statements of historical fact are statements that could be forward-looking statements. You can identify these forward-looking statements through our use of words such as "may," "will," "can," "anticipate," "assume," "should," "indicate," "would," "believe," "contemplate," "expect," "seek," "estimate," "continue," "plan," "point to," "project," "intend," "target," "potential," and other similar words and expressions of the future. These forward-looking statements may not be realized due to a variety of factors, including, without limitation:

- our inability to raise capital;
- our failure to obtain the necessary regulatory approvals for our products;
- the results of the current Securities and Exchange Commission (the "SEC") investigation of our company;
- the inability to obtain or retain customer acceptance of our products;
- the failure of the market for our products to develop;
- our inability to protect our intellectual property;
- our inability to manage any growth;
- the effects of competition from a wide variety of local, regional, national and other providers of products similar to our products;
- changes in laws and regulations, including tax and securities laws and regulations and laws and regulations promulgated by the U.S. Environmental Protection Agency (the "EPA"), the U.S. Food & Drug Administration (the "FDA") and the U.S. Federal Trade Commission.
- changes in accounting policies, rules and practices;
- changes in technology or products, which may be more difficult or costly, or less effective than anticipated; and
- the other factors listed under "Risk Factors" in the Company's Form 10-K for the fiscal year ended October 31, 2009 and other filings with the Securities and Exchange Commission (the "SEC").

All forward-looking statements are expressly qualified in their entirety by this cautionary notice. You are cautioned not to place undue reliance on any forward-looking statements, which speak only as of the date of this Quarterly Report on Form 10-Q or the date of the document incorporated by reference into this report. We have no obligation, and expressly disclaim any obligation, to update, revise or correct any of the forward-looking statements, whether as a result of new information, future events or otherwise. We have expressed our expectations, beliefs and projections in good faith and we believe they have a reasonable basis. However, we cannot assure you that our expectations, beliefs or projections will result or be achieved or accomplished.

Company Overview

We are a specialty chemical corporation seeking to develop and commercialize a novel combinational chemistry-based technology which we believe can, in certain circumstances, neutralize harmful environmental contaminants, toxins and dangerous micro-organisms including bacteria, viruses and spores. We are focused on developing and commercializing two classes of product formulations: (1) anti−microbials, which are formulations designed to kill certain harmful microscopic living organisms, and (2) bioneutralizers, which are formulations designed to destroy certain agents that are noxious and harmful to health and/or the environment. We have not marketed any of our products and have not generated any meaningful product revenue to date.

We currently are focused on the development and commercialization of two classes of product formulations, antimicrobrials and bioneutralizers. We refer to our anti−microbial formulations as our Ygiene™ products and our bioneutralizer formulations as our Ogiene™ products. Our YgieneTM products are being developed to kill certain harmful microbes, includ−ing virulent gram and bacteria (which cause staph infections), viruses, yeast, mold, fungi, spores and/or certain bioterrorism agents, such as anthrax. Our Ogiene™ products are being developed to eliminate or reduce odors of many chemicals such as hydrogen sulfide, formaldehyde and ammonia, and to reduce certain green¬house gases such as carbon dioxide and sulfur dioxide.

The marketing and sale in the United States and foreign countries of some of our current products and the products we may develop in the future are and may be subject to U.S. and foreign governmental regulations, respectively, which vary substantially from country to country. The marketing and sale of our YgieneTM products in the United States, is subject to EPA registration and in some cases, FDA clearance, and we cannot market and sell any of such products in the United States until such registration or clearance is obtained. We do not believe the marketing sale of our OgieneTM products are subject to EPA registration or FDA clearance. We have not sold any of our YgieneTM or OgieneTM products to date. We currently are focusing our efforts and resources on obtaining the registrations, clearances and approvals necessary to marketing and selling our YgieneTM products in the United States; however, we cannot assure you that we will be have the financial resources to do so or that such registrations, clearances and approvals will be obtained on a timely basis, if at all.

Company Structure

We currently operate our business through our subsidiary, BioNeutral Laboratories Corporation USA (“BioNeutral Laboratories” or “BioLabs”), a corporation organized in Delaware in 2003. We were incorporated in the State of Nevada on April 10, 2007 under the name “Moonshine Creations, Inc.”, and changed our name to “BioNeutral Group, Inc.” on December 22, 2008. From our incorporation until January 30, 2009, we did not have significant business operations.

On January 30, 2009, we entered into a share exchange agreement, which we refer to herein as the “Share Exchange Agreement”, with BioNeutral Laboratories pursuant to which we agreed to issue to the shareholders of BioNeutral Laboratories 45,000,000 shares of our common stock (the “Share Exchange”).

Additionally, at the closing of the Share Exchange, we issued 600,000 shares of our common stock to six holders of debentures of BioNeutral Laboratories and agreed to convert those debentures into 600,000 shares of our common stock pursuant to the terms of the Share Exchange Agreement.

In connection with the Share Exchange, certain shareholders of BioNeutral Laboratories delivered shareholder consents, which we refer to as the “Share Exchange Consents”, to BioNeutral Laboratories approving the execution and delivery by BioNeutral Laboratories of the Share Exchange Agreement. We refer to such persons as the “Consenting Shareholders.” The Share Exchange Consents did not specify the number of shares of BioNeutral Laboratories common stock to be exchanged by the Consenting Shareholder. Schedule II to the Share Exchange Agreement, however, contained a list of holders of BioLabs common stock (certain of which shareholders also held BioLabs Series A Preferred Stock), shares of our common stock to be issued to such shareholders, and shares of our common stock to be issued to holders or BioLabs preferred stock.

Based on the Share Exchange Consents, we caused to be delivered to our transfer agent instructions to issue stock certificates representing 42,649,500 shares of our common stock in accordance with Schedule II to the Share Exchange Agreement. We did not receive Share Exchange Consents in respect of each share of our common stock that was issued by our transfer agent and we believe that stock certificates representing approximately 1,011,362 shares of common stock may have been delivered to those persons who did not deliver a Share Exchange Consent.

In addition, our records indicate that (i) we did not receive stock certificates representing shares of BioNeutral Laboratories common stock for cancellation from the Consenting Shareholders, and (ii) we did not cause to be delivered the applicable stock certificates representing shares of our common stock issued in the Share Exchange to certain of the Consenting Shareholders. Accordingly we intend to request that (i) with respect to each Consenting Shareholder who received a stock certificate, such stockholder affirm its consent, which we refer to as a “Consenting Shareholder Acknowledgement”, and deliver to us for cancellation its certificates representing BioNeutral Laboratories common stock; and (ii) with respect to each Consenting Shareholder who did not receive a stock certificate, such stockholder deliver to us a Consenting Shareholder Acknowledgment and deliver to us for cancellation its certificates representing BioNeutral Laboratories common stock, each in advance of us delivering the applicable stock certificate.

With respect to any shareholder of BioNeutral Laboratories who is not able to confirm that it previously delivered a Share Exchange Consent, we are going to evaluate offering to such persons the ability to exchange their shares of common stock of BioNeutral Laboratories for shares of our common stock on the same terms as would have occurred had such exchange occurred at the time of the consummation of the Share Exchange. Although we cannot assure you as to the determination we may make, if we were to make such offer, we would likely request that each such stockholder deliver to us a consent that is similar to a Share Exchange Consent and deliver to us for cancellation its certificates representing BioNeutral Laboratories common stock, each in advance of us delivering the applicable stock certificate. With respect to shareholders of BioNeutral Laboratories who did not deliver a Share Exchange Consent and to whom we may have caused to be issued stock certificates for shares of our common stock, we intend to request a Consenting Shareholder Acknowledgment from each of such persons.

With respect to holders of Series A preferred stock of BioNeutral Laboratories who did not receive shares of our common stock in exchange for such preferred stock, we intend to offer to such persons 2,799,910 shares of our common stock in exchange for their shares of Series A preferred stock, in accordance with Schedule II to the Share Exchange Agreement. We intend to request that such persons execute and deliver a share exchange agreement evidencing such exchange.

For purposes of preparation of our financial statements, we do not treat as outstanding any shares of common stock issued pursuant to the Share Exchange and for which we do not have a record of receiving a Share Exchange Consent. We made this determination despite the fact that certificates representing certain of such shares of our common stock may have been delivered to the applicable shareholder. We cannot assure you that any person in possession of such shares of common stock but who did not deliver the applicable Share Exchange Consent will not claim ownership of such shares.

As a result of the closing of the Share Exchange, BioNeutral Laboratories became our subsidiary, and the shareholders of BioNeutral Laboratories acquired the majority ownership and control of our company. We reviewed the Financial Accounting Standards Board Accounting Standards Codification 805-40 (“FASB ASC 805-40”) and determined that BioNeutral Laboratories was the accounting acquirer and the entity which would be continuing operations. As a result, the transaction between BioNeutral Laboratories and us was accounted for as a reverse acquisition in accordance with FASB ASC 805-40.

Plan of Operation

Our strategic plan for our fiscal year ending October 31, 2010 is focused on leveraging developments in the European Union for our Ygiene™ professional disinfectant product and continuing our work within the regulatory process of the U.S. for EPA registration. Our Ygiene™ professional disinfectant product and multipurpose cleaner and disinfectant product were registered with the German Bundesanstalt f r Arbeitsschutz und Arbeitsmedizin, a German government sanctioned institute for safety and health, on January 5, 2010 and November 30, 2009, respectively. As a result of such registrations, we are permitted to sell such Ygiene™-based products in Germany, although we have not sold any of our products in Germany and currently do not have adequate resources to attempt to make any such sales or to have our products manufactured for sale. Similar regulatory registration is anticipated with additional major members of the European Union during fiscal year 2010. We believe these registrations present us with a strong and dynamic platform for accessing well developed global markets for commercial use of our Ygiene™ professional disinfectant product and multipurpose cleaner and disinfectant product.

Currently, we are focusing our efforts on the development and commercialization of a Ygiene™ formulation for the Hospital and Industrial Application. We are developing our Ogiene™ products to potentially eliminate or reduce odors of many chemicals such as hydrogen sulfide, formaldehyde and ammonia, and to reduce certain green−house gases such as carbon dioxide and sulfur dioxide. Our Ogiene™ formulations are designed to interact with the functional organic or inorganic groups of harmful gases and reduce or eliminate them.

We believe that our products can offer a superior solution that addresses needs not currently being met in the marketplace for combating bacteria, viral and spore based threats. We further believe that our products can provide a distinct advantage when distinguishing them from those that are currently in use in our targeted markets. In addition, our core product is flexible and adaptable for multiple applications. Industry or use specific modifications made by our professional scientist allow our products to be readily customized to the demands of multiple unique markets.

We are emphasizing these strategic advantages as part of our brand development efforts to overcome competitive barriers to entry in markets that are driven by large, established organizations. The markets for our Ogiene™ and Ygiene™ products and each of their potential channels are highly competitive. We have a number of competitors that vary in size and scope and breadth of products offered. Such competitors include some of the largest corporations in the world, and we believe substantially all of our competitors have greater financial resources than we do, including in the areas of sales, marketing, branding and product development. We expect to face additional competition from other competitors in the future.

Because Ogiene™ and Ygiene™ are new formulations, our success will depend, in part, upon our ability to achieve market share at the expense of existing, established and future products in our relevant target markets. Even if our Ogiene™ and Ygiene™ formulations may have technological competitive advantages over competing products, we or potential distributors, will need to invest significant resources in order to attempt to displace traditional technologies sold by what are in many cases well-known international industry leaders. Alternatively, we may pursue strategies in selective markets of encouraging existing competitors to incorporate our products into their existing brands, thereby reducing the proportion of end-use revenues that would accrue to us. To the extent that we were to grant any existing competitor exclusivity to any field and/or territory, we would risk having our technology marketed in a manner that may be less than optimal for us. We recognize that innovative marketing methods may be required in order to establish our products, and that such methods may not be successful.

Results of Operations

Three Months Ended April 30, 2010 Compared to Three Months Ended April 30, 2009

Revenues: We have not generated material revenues. To date, our efforts have been focused on development of our products and obtaining regulatory approvals for their sale and distribution in the United States and international markets.

Operating Expenses: Our operating expenses consist of compensation of our executive and scientific staff, consulting expenses supporting development of, and regulatory approvals for, our products, legal and accounting services, and non-cash amortization of our patents.

Selling, general & administrative ("SG&A") expenses for the three months ended April 30, 2010 did not include any costs related to non-cash stock-based compensation to employees. For the three months ended April 30, 2009 non-cash stock based compensation to employees reported in SG&A amounted to $18,750. For the three months ended April 30, 2010 and 2009, approximately $77,667and $983,333, respectively, of non-cash stock based compensation expense was reported in SG&A for services to non-employees, principally for business development agreements entered into with entities responsible for advancing our market access in North America, Asia and the European Union.

SG&A costs for the three months ended April 30, 2010 that were paid or payable in cash include approximately $84,000 related to our agreement with the Chertoff Group, L.L.C. and approximately $60,000 to a director and a company with which such director is affiliated under agreements we have with the director and his affiliated company. There was no expense related to the agreement with the Chertoff Group in the same period for 2009, since the agreement was not entered into until August 2009. Expense related to the director was the same for the 2009 period.

Total legal and accounting expenses for the three months ended April 30, 2010 were approximately $578,854, compared to $27,593 recorded for the same period in 2009. The expenses in 2010 reflect costs incurred in responding to the SEC investigation (see note 12 to the interim financial statements for the six months ended April 30, 2010) and the preparation of our Annual Report on Form 10-K for the fiscal year ended October 31, 2009 and our Quarterly Report on Form 10-Q for the quarter ended January 31, 2010..

Amortization & depreciation increased to $173,651 for the three months ended April 30, 2010 from $170,952 reported for the same three months in 2009, as a result of the increased investment in our patents. We acquired the remainder of the licensing rights for all geographic regions in January 2009, in exchange for shares of our common stock.

Net Loss: We experienced a net loss from operations of $1,136,811 for the three months ended April 30, 2010, before consideration of the non-controlling interest in BioLabs. The discussion of operating expenses identifies the elements of the net loss. For the same period in 2009, our net loss was $1,381,965 before consideration of the non-controlling interest. We anticipate we will experience a net loss in fiscal 2010 as we continue to pursue regulatory approvals for the sale and distribution of our products and development of access to global markets.

Six Months Ended April 30, 2010 Compared to Six Months Ended April 30, 2009

Revenues: We have not generated material revenues. To date, our efforts have been focused on development of our products and obtaining regulatory approvals for their sale and distribution in the United States and international markets.

Operating Expenses: Our operating expenses consist of compensation of our executive and scientific staff, consulting expenses supporting development of, and regulatory approvals for, our products, legal and accounting services, and non-cash amortization of our patents.

Selling, general & administrative ("SG&A") expenses for the six months ended April 30, 2010 and 2009 include $0 and $1,040,024 related to non-cash stock-based compensation to employees and board members. For the six months ended April 30, 2010 and 2009, approximately $157,632 and $1,694,475, respectively, of non-cash stock based compensation expense was reported for amortization of amounts paid for services to non-employees, principally for business development agreements entered into with entities responsible for advancing our market access in North America, Asia and the European Union.

SG&A costs for the six months ended April 30, 2010 that were paid or payable in cash include approximately $206,208 related to our agreement with the Chertoff Group, L.L.C. and approximately $120,000 to a director and a company with which such director is affiliated under agreements we have with the director and his affiliated company. There was no expense related to the agreement with the Chertoff Group in the same period for 2009, since the agreement was not entered into until August 2009. Expense related to the director was the same for the 2009 period.

Total legal and accounting expenses for the six months ended April 30, 2010 were approximately $1,198,656, compared to $198,635 for the same period in 2009. The expenses in 2010 reflect costs incurred in responding to the SEC investigation (see note 12 to the interim financial statements for the six months ended April 30, 2010) and the preparation of our Annual Report on Form 10-K for the fiscal year ended October 31, 2009 and our Quarterly Report on Form 10-Q for the quarter ended January 31, 2010..

Amortization & depreciation increased to $346,588 for the six months ended April 30, 2010 from $283,384 reported for the same period in 2009, as a result of the increased investment in our patents. We acquired the remainder of the licensing rights for all geographic regions in January 2009, in exchange for shares of our common stock.

Net Loss: We experienced a net loss from operations of $2,625,460 for the six months ended April 30, 2010, before consideration of the non-controlling interest in BioLabs. The discussion of operating expenses identifies the elements of the net loss. For the same period in 2009, our net loss was $3,702,676 before consideration of the non-controlling interest. We anticipate we will experience a net loss in fiscal 2010 as we continue to pursue regulatory approvals for the sale and distribution of our products and development of access to global markets.

Liquidity and Capital Resources

We had $324,876 of cash and cash equivalents at April 30, 2010. Cash used by operations for the six months ended April 30, 2010 was $1,296,992. The principal use of funds were for consulting services supporting the development of our business plan; legal and accounting fees in connection with responding to the SEC investigation, the preparation of our Annual Report on Form 10-K for the fiscal year ended October 31, 2009 and other matters; and daily operations of the business, including rent, travel, consultants and laboratory costs.

During the six months ended April 30, 2010, we raised $1,250,000 of cash from the issuance of exchangeable notes to a shareholder and a Director of the company to fund operations and $100,000 from a shareholder as a loan to be converted into an exchangeable note (see note 7 to the interim financial statements). In addition on April 20, 2010 the Company issued 250,000 shares of its common stock for net proceeds of $50,000.

We are not currently generating revenues and rely on raising new capital to fund our ongoing operations and development of our strategic business objectives. While we have been able to use our shares of common stock to fund a substantial balance of our operating costs, we do not expect that our funds will be sufficient to meet our anticipated needs through July 31, 2010 and we will need to raise additional capital during fiscal 2010 to fund the full costs associated with our growth and development. There can be no assurances that we will be successful in raising additional capital or the terms on which any such capital will be raised.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires judgment on the part of management to arrive at estimates and assumptions on matters that are inherently uncertain. These estimates may affect the amount of assets, liabilities, revenue and expenses reported in the financial statements and accompanying notes and disclosure of contingent assets and liabilities within the financial statements. Estimates and assumptions are periodically evaluated and may be adjusted in future periods. Actual results could differ from those estimates.

Stock-Based Payments – Significant amounts of our shares of common stock are issued as payment to employees and non-employees for services and periodically as consideration for acquisition of assets. These are non-cash transactions that require management to make judgments related to the fair value of the shares issued, which affects the amounts reported in our consolidated financial statements for certain of our assets and expenses. For historic fiscal years when there was not an observable active, liquid market for our shares, the valuation of the shares issued in a non-cash share payment transaction relied on observation of arms-length transactions where cash was received for our shares, before and after the non-cash share payment date.

Impairment of long-lived assets - Long-lived assets, such as property and equipment and definite-life intangible assets (i.e. patents) are evaluated for impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable in accordance with FASB ASC 360-10-35-17 thru 35-35 “Measurement of an Impairment Loss”. We assess the impairment of the assets based on the undiscounted future cash flow the assets are expected to generate compared to the carrying value of the assets. If the carrying amount of the assets is determined not to be recoverable, a write-down to fair value is recorded. Management estimates future cash flows using assumptions about expected future operating performance. Management’s estimates of future cash flows may differ from actual cash flow due to, among other things, technological changes, economic conditions or changes to our business operations. Our patents were tested for impairment as of October 31, 2009 by an independent valuation specialist. Forecasted undiscounted future cash flows exceeded the carrying amount of the assets indicating that the assets were not impaired.

New Accounting Pronouncements

See Note 2 of Notes to Consolidated Financial Statements included in Item 8 of our Annual Report on Form 10-K for the fiscal year ended October 31, 2009.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no significant changes from the items previously disclosed in the Annual Report on Form 10-K for the fiscal year ended October 31, 2009 filed with the Securities and Exchange Commission on March 17, 2010.

ITEM 4. CONTROLS AND PROCEDURES

(a) Disclosure controls and procedures.

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) and Rule 15d-15(e) promulgated under the Exchange Act, as of April 30, 2010. Based on this evaluation, as a result of the material weaknesses in internal controls over financial reporting as previously disclosed in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 17, 2010, our principal executive officer and principal financial officer has concluded that our disclosure controls and procedures are not effective to ensure that all information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and is accumulated and communicated to our management, including our principal executive and principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

(b) Changes in Internal Controls Over Financial Reporting

There have been no changes in our internal control over financial reporting that occurred during the fiscal quarter ended April 30, 2010 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

There were no material changes to the legal proceedings previously disclosed in the Company’s Annual Report on Form 10-K for the fiscal year ended October 31, 2009 filed with the Securities and Exchange Commission on March 17, 2010.

ITEM 1A. RISK FACTORS

There were no material changes in any risk factors previously disclosed in the Company's Annual Report on Form 10-K for the year ended October 31, 2009 filed with the Securities and Exchange Commission on March 17, 2010.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

On April 20, 2010 the Company issued 250,000 unregistered shares of its common stock to an individual investor for net proceeds of $50,000. Such sale was exempt pursuant to Section 4(2) under the Securities Act of 1933, as amended. On May 12, 2010, the Company issued 100,000 unregistered shares of its common stock to an individual investor for net proceeds of $25,000. Such sale was exempt pursuant to Section 4(2) under the Securities Act of 1933, as amended

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. (REMOVED AND RESERVED).

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS

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

Exhibit No.	Description
4.1	8% Exchangeable Promissory Note, dated March 15, 2010, issued in favor of Michael D. Francis
4.2	8% Exchangeable Promissory Note, dated March 9, 2010, issued in favor of Capara Investments LLC
31.1	Certification of Principal Executive Officer and Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*

* Filed herewith.

(1) Incorporated by reference to BioNeutral Group, Inc.'s Current Report on Form 8-K filed with the Securities and Exchange Commission on February 18, 2010.

SIGNATURE

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

BIONEUTRAL GROUP, INC.

By: /s/Stephen Browand
Stephen Browand
Chief Executive Officer
(Principal Executive Officer,
Principal Financial
Officer and Principal Accounting
Officer)

Dated: June 14, 2010