Decision Diagnostics Corp.

OTC Pink Balance Sheet, Statement of Equity, Cash Flows & Footnotes

Quarterly Report for Period Ended September 30, 2015

The following pages present the unaudited financial statements for Decision Diagnostics Corp., for the periods ended September 30, 2015, December 31, 2014, and September 30, 2014. The financial statements have been prepared in accordance with generally accepted accounting principles.

Trading Symbol: **DECN**
CUSIP Number: **243443 108**

Decision Diagnostics Corp.
Condensed Consolidated Balance Sheets
(Unaudited)

	September 30, 2015	December 31, 2014
Assets		
Current assets:		
Cash	$ 543,245	$ 1,750,002
Accounts receivable, net	428,085	267,492
Inventory	4,450	91,886
Prepaid expenses	1,604,589	1,581,500
Total current assets	2,580,368	3,690,881
Fixed assets:		
Specialty manufacturing equipment	230,995	16,020
	230,995	16,020
Less accumulated depreciation	-	-
Fixed assets, net	230,995	-
Other assets:		
Intellectual property	707,705	437,038
Total other assets	707,705	437,038
Total assets	$ 3,519,068	$ 4,127,919
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 741,074	$ 309,362
Accrued interest	449,402	269,036
Subscriptions payable	77,500	77,500
Notes payable and short term debt (Note 5)	2,181,513	2,192,220
Total current liabilities	3,449,489	2,848,118
Deriviative liabilities	610,316	971,352
Contingencies	245,069	245,069
Stockholders' equity (deficit):		
Preferred stock, $0.001 par value, 3,738,500 shares		
authorized, no shares issued and outstanding		
as of September 30, 2015 and December 31, 2014	-	-
Preferred series "B" stock, $0.001 par value, 2,500 shares		
authorized, 2,000 issued and outstanding		
as of September 30, 2015 and December 31, 2014	2	2
Preferred series "C" stock, $0.001 par value, 10,000 shares		
authorized, 2,610 and 2,680 shares issued and outstanding		
as of September 30, 2015 and December 31, 2014	2	2
Preferred series "D" stock, $0.001 par value, 500 shares		
authorized, no shares issued and outstanding as of		
as of September 30, 2015 and December 31, 2014	-	-
Preferred series "E" stock, $0.001 par value, 1,750,000 shares		
authorized, 687,540 and 497,906 shares issued and outstanding		
as of September 30, 2015 and December 31, 2014	688	499
Common stock, $0.001 par value, 494,995,000 shares authorized,		
55,444,955 and 43,949,741 shares issued and outstanding		
as of September 30, 2015 and December 31, 2014	55,446	43,949
Common stock unissued, 1,410,000 shares as of		
as of September 30, 2015 and December 31, 2014	1,411	1,411
Subscription receivable	(77,250)	(77,250)
Unit offering finders' fees	(321,344)	(321,344)
Additional paid-in capital	37,038,367	35,709,088
Retained (deficit)	(37,483,128)	(35,276,959)
Total stockholders' equity (deficit)	(785,805)	63,380
Total liabilities and stockholders' equity (deficit)	$ 3,519,068	$ 4,127,919

The accompanying Notes are an integral part of these financial statements.

Decision Diagnostics Corp.
Condensed Consolidated Statements of Operations
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Revenue	$ 111,781	$ 18,633	$ 292,033	$ 375,597
Cost of sales	30,787	175,851	97,272	188,121
Gross profit	80,994	(157,218)	194,761	187,476
Expenses:				
Advertising	-	13,025	-	135,158
General & administrative expenses	90,746	117,614	325,801	256,049
Consulting	54,178	24,079	118,474	145,069
Payroll expense	9,121	7,997	25,697	20,409
Professional fees	103,915	200,836	1,708,972	541,172
Total expenses	257,960	363,551	2,178,945	1,097,857
Net operating (loss)	(176,966)	(520,769)	(1,984,184)	(910,381)
Other income (expense):				
Financing costs	-	-	(16,965)	-
Interest expense, net	(63,116)	(244,789)	(202,208)	(309,815)
Settlement expense	-	-	-	(20,000)
Loss on obsolete inventory	-	(34,133)	-	(187,425)
Total other income (expense)	(63,116)	(278,922)	(219,173)	(517,240)
Taxes				
State	(1,600)	(10,737)	(2,812)	(10,737)
Net loss	$ (241,682)	$ (810,428)	$ (2,206,169)	$ (1,438,358)
Add: Dividends declared on preferred stock	-	-	-	-
Income available to common shareholders'	$ (241,682)	$ (810,428)	$ (2,206,169)	$ (1,438,358)
Weighted average number of common shares outstanding - basic and fully diluted	52,354,632	42,280,796	49,405,778	40,099,395
Net income (loss) per share - basic and fully diluted	$ (0.00)	$ (0.02)	$ (0.04)	$ (0.04)

The accompanying Notes are an integral part of these financial statements.

Decision Diagnostics Corp.

Statements of Shareholders' Equity

(Unaudited)

		Preferred "B"		Preferred "C"		Preferred "E"		Common Stock			Authorized	Subscription	Finders'		
Date	Shareholder	# Shares	Amt	# Shares	Amt	# Shs	Amt	# Shs	Amt	APIC	Unissued	Receivable	Fees	RE	Total
BALANCE, December 31, 2014		***2,000***	***2***	***2,610***	***3***	***497,906***	***499***	***43,948,741***	***43,949***	***35,709,090***	***1,410***	***(77,250)***	***(321,344)***	***(35,276,959)***	***63,380***
1/21/2015	Shares for services - R. Herskowitz					100,000	100	-	-	24,900	-	-	-	-	25,000
1/21/2015	Shares for services - Mayer & Associates					135,000	135	-	-	33,615	-	-	-	-	33,750
1/21/2015	Shares for financing costs - Alpha Credit Resources					67,860	68	-	-	16,897	-	-	-	-	16,965
1/21/2015	Shares for services							1,875,000	1,875	466,875	-	-	-	-	468,750
1/28/2015	Shares for settlement of liquidated damages							850,000	850	203,150	-	-	-	-	204,000
2/23/2015	Conversion - Alpha Credit Resources					(50,366)	(51)	705,124	705	(654)	-	-	-	-	-
	Net loss													***(1,492,536)***	***(1,492,536)***
BALANCE, March 31, 2015		***2,000***	***2***	***2,610***	***3***	***750,400***	***751***	***47,378,865***	***47,379***	***36,453,873***	***1,410***	***(77,250)***	***(321,344)***	***(36,769,495)***	***(680,691)***
5/11/2015	Note conversion-Momona Capital							235,000	235	35,015	-	-	-	-	35,250
5/12/2015	Shares for services-R. Herskowitz					30,000	30	-	-	5,670	-	-	-	-	5,700
5/12/2015	Pref e conversion-Mayer & Associates					(67,860)	(68)	950,040	950	(882)	-	-	-	-	-
5/12/2015	Note conversion- Herskowiz							950,000	950	141,550	-	-	-	-	142,500
5/21/2015	Note conversion-Momona Capital							235,000	235	35,015	-	-	-	-	35,250
6/1/2015	Note conversion-Chase Financing 401K							533,334	533	79,467	-	-	-	-	80,000
6/8/2015	Note conversion-Momona Capital							437,250	437	65,150	-	-	-	-	65,588
6/8/2015	Shares for services-St Andrews							350,000	350	62,650	-	-	-	-	63,000
6/29/2015	Note conversion-Alpha Capital Anstalt							384,537	385	57,296	-	-	-	-	57,681
	Net loss													***(471,951)***	***(471,951)***
BALANCE, June 30, 2015		***2,000***	***2***	***2,610***	***3***	***712,540***	***713***	***51,454,026***	***51,454***	***36,934,804***	***1,410***	***(77,250)***	***(321,344)***	***(37,241,446)***	***(667,674)***
7/27/2015	Note conversion-Alpha Capital Anstalt							387,907	388	46,161	-	-	-	-	46,549
7/27/2015	New Issuance-Chase Financing					*75,000*	*75*	-	-	*8,925*	-	-	-	-	9,000
8/24/2015	Note conversion-Alpha Capital Anstalt							313,022	313	34,119	-	-	-	-	34,432
9/16/2015	Pref e conversion-Mayer & Associates					(135,000)	(135)	1,890,000	1,890	(1,755)	-	-	-	-	-
9/16/2015	Pref e conversion-R Herskowitz					*(100,000)*	(100)	1,400,000	1,400	(1,300)	-	-	-	-	-
9/16/2015	New Issuance-Chase Financing					*135,000*	*135*	-	-	*17,415*	-	-	-	-	17,550
	Net loss													***(241,682)***	***(241,682)***
BALANCE, September 30, 2015		***2,000***	***2***	***2,610***	***3***	***687,540***	***688***	***55,444,955***	***55,445***	***37,038,369***	***1,410***	***(77,250)***	***(321,344)***	***(37,483,128)***	***(801,825)***

Decision Diagnostics Corp.
Consolidated Statements of Cash Flows
(Unaudited)

	Nine Months Ended September 30,	
	2015	2014
Cash flows from operating activities		
Net loss	$ (2,206,169)	$ (1,438,358)
Adjustments to reconcile net loss to		
net cash (used) by operating activities:		
Loss on writedown of obsolete inventory	-	187,425
Shares and options issued for services	622,750	237,750
Shares issued for financing fees	16,965	-
Changes in operating assets and liabilities		
Accounts receivable	(160,594)	(124,001)
Inventory	87,437	66,883
Prepaid and other assets	(23,089)	(115,465)
Accounts payable and accrued liabilities	431,711	(31,698)
Accrued interest	202,208	182,965
Net cash (used) by operating activities	(1,028,781)	(1,034,499)
Cash flows from investing activities		
Fixed assets	(214,975)	-
Intellectual property	(270,667)	(186,401)
Net cash (used) by investing activities	(485,642)	(186,401)
Cash flows from financing activities		
Proceeds from notes payable	307,666	797,210
Subscriptions receivable	-	91,500
Net cash provided by financing activities	307,666	888,710
Net decrease in cash	(1,206,757)	(332,190)
Cash - beginning	1,750,002	2,518,029
Cash - ending	$ 543,245	$ 2,185,839
Supplemental disclosures:		
Interest paid	$ -	$ -
Income taxes paid	$ 2,812	$ -
Non-cash transactions:		
Shares and options issued for services	$ 622,750	$ 237,750
Shares issued for financing activities	$ 16,965	$ -
Shares issued for debt and derivative liabilities	$ 701,250	$ -

The accompanying Notes are an integral part of these financial statements.

DECISION DIAGNOSTICS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED

NOTE 1 – Basis of presentation and accounting policies

Basis of Presentation

The condensed consolidated interim financial statements included herein, presented in accordance with United States generally accepted accounting principles and stated in US dollars, have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading.

These statements reflect all adjustments, consisting of normal recurring adjustments, which, in the opinion of management, are necessary for fair presentation of the information contained therein. It is suggested that these consolidated interim financial statements be read in conjunction with the consolidated financial statements of the Company for the year ended December 31, 2014 and notes thereto included in the Company's annual filing. The Company follows the same accounting policies in the preparation of consolidated interim reports.

Results of operations for the interim periods are not indicative of annual results.

Recent Accounting Pronouncements

Management has analyzed all pronouncements issued during the nine months ended September 30, 2015 by the FASB or other authoritative accounting standards groups with future effective dates, and have determined that they are not applicable or are not expected to be significant to the financial statements of the Company.

Year-end

We have adopted December 31 as our fiscal year end.

NOTE 2 – Going concern

The accompanying consolidated financial statements have been prepared assuming that we will continue as a going concern. Our ability to continue as a going concern is dependent upon attaining profitable operations based on the development of distributions platforms through which our products that can be sold. We intend to use borrowings and security sales to mitigate the effects of our cash position, however, no assurance can be given that debt or equity financing, if required, will be available. The condensed consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded assets and classification of liabilities that might be necessary should we be unable to continue in existence.

NOTE 3 – Equipment – Specialty Manufacturing Instruments

On June 1, 2015 the company entered into a wide-ranging manufacturing and product development agreement with a large venture funded Korean concern. On July 8, 2015 the company enhanced its role in this agreement through the purchase of and investment in computer controlled, specialty manufacturing equipment that is now located in the Korean facility of the Company’s R&D and contract manufacturing

partner. The company completed this purchase through a $250,000 derivative financing lead by Alpha Credit Anstalt. The company expects to bring this facility on-line in early 2016.

NOTE 4 – Patents and Registered Trademarks

During the first quarter, 2015, we acquired two patents for cash totaling $250,000. During the first three quarters of 2015 the company applied for registration of Trademarks for the purposes of product branding, new products naming and other purposes. Through November 16, 2015 the USPTO has granted four of the seven applied for Marks.

NOTE 5 – Acquisition of Certain Properties

In March 2014 the Company agreed to acquire certain properties from Shasta Technologies LLC. The agreement covering this acquisition is now the subject of two litigations, one litigation related to the remaining proceeds of an IP defense insurance policy, the other litigation concerning damages the company is trying to collect from Shasta Technologies LLC owing to Shasta's undisclosed issues with the U.S. FDA, uncovered by the company through the press and through the FDA MedWatch facility. The original purchase price for this property was expected to be $2,000,000 (cash). The company is anticipating substantial offsets against this purchase price and the collection of damages resulting from the cover up of Shasta's involvement with the FDA. The Company has not yet recorded this acquisition on its books because the acquisition terms have not yet been fully determined and the final terms and acquisition price to be determined by the courts. The company is the FDA registered manufacturer of the product, having registered in both 2014 and 2015, and plans to re-register for 2016 in the coming days. As the manufacturer the company is subject to FDA compliance inspections and has been inspected twice, once in late 2014 and again in November 2015. Both inspections concluded without FDA issuing any compliance observations.

NOTE 6 – Notes payable

During the first quarter, 2015, we were loaned $277,850 of convertible debt from an un-related entity. The promissory notes have the same conversion rights as our other notes, bear interest at 12%-14% per annum, and are due March 31, 2016.

During the second quarter, 2015, we were loaned $307,666 of convertible debt from an un-related entity. The promissory notes have the same conversion rights as our other notes, bear interest at 12%-14% per annum, and are due June 30, 2016.

We have recorded interest in connection with our notes payable totaling $202,208 and $309,815 for the nine months ended September 30, 2015 and 2014, respectively.

NOTE 7 – Stockholder's equity

<u>Preferred</u>

During the quarter ended March 31, 2015, a Holder of the Company's preferred series "E" shares elected to convert 50,366 shares into 705,124 shares of $0.001 par value common stock.

During the quarter endedMarch 31, 2015, the Company issued 235,000 shares of preferred series "E" shares for services valued at $58,750.

During the quarter ended March 31, 2015, the Company issued 67,860 shares of preferred series "E" shares for financing costs valued at $16,965.

During the quarter ended June 30, 2015, the Company issued 30,000 shares of preferred series "E" shares for services valued at $5,700.

During the quarter ended June 30, 2015, a Holder of the Company's preferred series "E" shares elected to convert 67,860 shares into 950,040 shares of $0.001 par value common stock.

During the quarter ended September 30, 2015, Holders of the Company's preferred series "E" shares elected to convert 235000 shares into 3,290,000 shares of $0.001 par value common stock.

During the quarter ended September 30, 2015, the Company issued 210,000 shares of preferred series "E" shares for services valued at $26,550.

Common

During the quarter ended March 31, 2015, the Company issued 1,875,000 shares of $0.001 par value common stock for consulting services valued at $468,750.

During the quarter ended March 31, 2015, the Company issued 850,000 shares of $0.001 par value common stock for the settlement of liquidated damages due to pre-contracted terms allowing for the issuance of shares in the event certain debt covenant terms were violated. The shares were valued on date of grant at $204,000.

During the quarter ended March 31, 2015, the Company issued 705,124 shares of $0.001 par value common stock for 50,366 shares of previously issued and converted preferred series "E" shares.

During the quarter ended June 30, 2015, the Company issued 2,540,121 shares of $0.001 par value common stock for convertible debt and the settlement of liquidated damages due to pre-contracted terms allowing for the issuance of shares in the event certain debt covenant terms were violated. The shares were valued on date of grant at $381,019.

During the quarter ended June 30, 2015, the Company issued 350,000 shares of $0.001 par value common stock for consulting services valued at $63,000.

During the quarter ended June 30, 2015, the Company issued 950,040 shares of $0.001 par value common stock for 67,860 shares of previously issued and converted preferred series "E" shares.

During the quarter ended September 30, 2015, the Company issued 3,290,000 shares of $0.001 par value common stock for 235,000 shares of previously issued and converted preferred series "E" shares.

During the quarter ended September 30, 2015, the Company issued 700,929 shares of $0.001 par value common stock to convert$80,981of debt to equity at the election of the noteholder.

NOTE 8 – Subsequent events

In accordance with ASC 855, management evaluated all activity of the Company through the issue date of the financial statements and concluded that no other subsequent events have occurred that would require recognition or disclosure in the financial statements.

On October 27, 2015 the company received notice from the U.S. Court of Appeals for the Federal Circuit, that the final appeal by Johnson and Johnson in the long running litigation with the division of Johnson and Johnson over Patent No. 7,250,105. The patent had been previously ruled as "unpatentable" twice by the

court for the USPTO (in an IPR action) and is now to be heard in a final appeal by the U.S. Court of Appeals for the Federal Circuit. The appeal will be heard on December 8, 2015. The office of the U.S. Solicitor General has intervened in this appeal on the side of the company.

On November 10, 2015 the company's Pharma Tech subsidiary was inspected by the U.S. FDA for compliance to the Food Drug and Cosmetic Act and to generally recognized Good Manufacturing Principles. The inspection took place at the company's York, PA office, on the campus of the company's contract manufacturer. The inspection was closed out on November 12, 2015 without any observations being issued. This marked the second time the company had been inspected, having completed an inspection in its Westlake Village, CA offices in December 2014 and January 2015.

On November 16, 2015 the company filed a Court Motion titled **MOTION FOR SUMMARY JUDGMENT BY DECISION DIAGNOSTICS AND PHARMATECH SOLUTIONS** in CASE No. 5:11-CV-4494 WHO. This case is the main patent infringement case brought by the Division of Johnson and Johnson in September 2011, and is currently being heard in the Federal District Court for the Northern District of California. The company is seeking the court's ruling to end the patent infringement case, which already has been greatly compromised, so that the companies may pursue their counterclaims against the division of Johnson and Johnson, including the companies' prosecution of its anti-trust case, and the attack of a $12.7 million court ordered bond pledged by the division of Johnson and Johnson.