Decision Diagnostics Corp.

QUARTERLY REPORTING FOR OTC PINK

Management's Discussion & Analysis

Quarterly Report for Period Ended

September 30, 2015

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

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

Overview

Decision Diagnostics Corp. is a nationwide prescription and non-prescription diagnostics and home testing products distributor and the manufacturer of the Genstrip 50, a Class II medical device for at-home use for the measurement of glucose. The U.S. FDA, in a manner similar to prescription drugs, regulates diagnostic test kits and at-home patient testing products similarly to the regulation of prescription medicine. The regulatory standard used for the Genstrip 50 was the 510k process. The company has, since 2005 and until 2013, contracted with independent pharmacies for use of their prescription drug distribution licenses. However, the products we currently distribute, for the most part, do not require a doctor's prescription for anything other than insurance benefit compliance. Our business model works well in this regulated environment, although the financial benefits have become limited by major changes made to the Medicare plan that have lead to substantially lower rates of reimbursement.

Our subsidiaries, Pharma Tech Solutions, Inc. and PDA Services, Inc. operate in several healthcare products distribution channels. In addition our subsidiary Decision IT Corp. engages in the acquisition and holding of Intellectual Property including Patents and Trademarks. From time to time, when economic conditions warrant and and given market conditions, we distribute brand name prescription and non-prescription diagnostics products, as well as several lines of ostomy, wound care and post-surgery medical products, although these healthcare channels have also undergone market changes since July 2013 and we have determined that we will maintain our contacts and agreements but will refrain from competing due to price and profit pressures. Our main product is the Genstrip 50, a slight rebranding of the original Shasta Technologies Genstrip, cleared for market on November 30, 2012. By virtue of our written agreements with Shasta, we were granted an irrevocable license to prosecute their 510k application with the U.S. FDA, and to provide follow up regulatory management (for issues we were made aware of). We succeeded. We introduced Genstrip in March 2013. We acquired Genstrip from Shasta Technologies LLC on March 20, 2014 and in late June 2014 we made the minor branding changes. Shasta Technologies had a long-standing difficult relationship with the US FDA and was the subject of a worldwide Safety Notice on April 29, 2014, effectively ending Shasta's ability to be a player in the highly regulated medical device market. This Safety Notice was issued as a result of severe and fatal organizational regulatory deficiency. The Safety Notice did not involve the company or the contract product manufacturer. The company's acquisition of Genstrip (now Genstrip 50) was fortuitous given the finality and outcome of Shasta Technologies' troubles with the FDA.

The U.S. FDA cleared the Shasta Genstrip product for sale in the U.S. on November 30, 2012. The worldwide market for at-home blood glucose testing and test kits is an estimated $22.5 billion. Genstrip50 competes directly with one of the largest worldwide platform manufacturer for at-home blood glucose testing, a product currently used daily by over 3 million diabetes afflicted Americans. In addition, since the medical device employed by this legacy platform manufacturers, Genstrip also competes in the overall at-home testing market by offering an economical solution to former users of the legacy platform providers product. In that regard, Genstrip is unique as our major business focus is directed toward diabetics who have attempted a change of glucose monitoring platforms (systems) or those currently using the legacy products but are dealing with escalating prices and lower insurance reimbursements.

Throughout 2012 in anticipation of the introduction of Genstrip, we evaluated our brand-name distribution model, a model that provided streams of revenue but extremely low profit margins, and over the course of the last 36 months we have phased out sales of those brand name products that had been a backbone of our distribution business. In addition the brand name products distribution business created a situation where we were selling products manufactured by brand name companies that competed directly with our Genstrip 50. Phasing out these brand name products lowered our order intake by approximately $4,300,000 in three quarters of 2015 but allowed us to become a manufacturer, at a higher level in the large market channel.

The company will continue to direct its marketing efforts to ambulatory and semi-ambulatory older Americans afflicted with diabetes and complications caused by diabetes and old age. The company, originally a medical IT company with proprietary IT product lines, acquired its medical products distribution business in late 2004 through a merger with Phoenix, Arizona based CareGeneration, Inc. We have grown the original

CareGeneration business through subsequent acquisitions of private businesses and strategic partnerships with larger private pharmacies.

On November 1, 2011 we completed the acquisition of Diagnostic Newco LLC from its owner Kimberly Binder. Diagnostic Newco LLC is a design company that specializes in product packaging design, medical products advertising design and graphic art. Ms. Binder has joined the staff of the company's Pharma Tech Solutions, Inc. subsidiary specifically for these purposes, and has worked closely with the contract manufacturer for Genstrip 50, making subtle changes to packaging design among other responsibilities. She will also be responsible for the package design for new diagnostic products the company is currently working on. Ms. Binder is also owner of Genstrip Direct, LLC and Full Circle Diabetes LLC, her own distribution companies, separate from her company related responsibilities.

We also intend to acquire additional private companies, focusing on small engineering companies that have developed technology requiring either regulatory approval, distribution or both. In December 2011 we made another small acquisition, to acquire the services of Mr. Patrick Deparini. We are moving quickly to achieve our goal of becoming a vertically integrated, full service value added provider of products and services to an ever-growing market. The at-home diabetes testing market continues to grow as diabetics continue to be diagnosed. The market for diabetes testing products and at-home kits is expected to grow from a current $22.5+ billion worldwide base in 2012 to over $32 billion in 2017.

The company's current proprietary product offering, cleared by the FDA for commercial distribution on November 30, 2012, is the Genstrip 50 blood glucose diagnostic test strip for at-home testing. Genstrip is a product conceived by Shasta Technologies LLC, and acquired by our Pharma Tech subsidiary on March 20, 2014, fits into a diagnostic product niche and will sell into the world-wide self-test (home test) market. Since Genstrip 50 is a rather unique offering, employing a brand name razor blade only model (diagnostic test strip) into a razor (diagnostic meter) -- razor blade (diagnostic test strip) market, the Genstrip 510(k) application presented some unusual challenges for the FDA and an educational challenge and opportunity for the company. Since the company plans additional similar products in the future for other diagnostic platforms, in fact a product announced in the most previously reporting period and one planned for the beginning of 2016, the Genstrip experience, however slow and unresponsive it was, has provided lessons and experience.

Two years (and growing) is a standard development to market timeline for in-vitro diagnostic products similar to Genstrip. As a result of previous delays by Shasta Technologies in completing its FDA approval application [510(k)] and then problems Shasta encountered in prosecuting its original application with FDA staff, the company changed its contractual responsibilities and obligations in June 2011 to include program management, regulatory process management, management of the manufacturing forecasting and distribution processes, and new products planning and development. Further on-going problems encountered by Shasta, which on their face appeared irresolvable, presented the company with an opportunity. OnMarch 20, 2014 our Pharma Tech Solutions, Inc. subsidiary acquired the intellectual property, the marks, and the GenStrip cleared 510(k).

In June 2010 the company was approached by the largest retailer in the world for the distribution and sale of the Genstrip product,then about to enter the 510k regulatory process, at over 5,000 retail stores worldwide. A contract with this retailer was negotiated in September 2010 and subsequently renegotiated and renewed in April 2011, and as soon as the retail contract was agreed to and as a means to conduct market research, the company began seeking pre-conditioned letters of intent (pre-orders) for Genstrip, while continuing the prosecution of the 510(k) application on behalf of Shasta Technologies before the FDA. Discussions with this retailer and other similarly situated retailers have been on a litigation induced hiatus since our litigation with Lifescan, Inc. began in earnest in late March 2013. Lifescan Inc. is a division of Johnson & Johnson.

Currently that market is dominated by four large pharmaceutical manufacturers who provide very similar and equally focused products, selling at essentially equal prices. Genstrip's introduction, even with the fits and starts, will not only allow the company to achieve market share but because of the business model to be employed by Genstrip is different than those models employed by the major market players, the company may be able to change the market, lowering average price or allowing for increased testing by diabetics for a lesser price, thereby affecting all market segments. The company's major market focus is to pharmacy chains, grocery chains with in-store pharmacies, large all purpose retailers with in-store pharmacies, and group buying and chain pharmacy organizations. In the recent past our model might have been called a private label model

or a value added model, but with the advent of the July 2013 changes to Medicare (and followed by private insurers), pharmacy business models are now blurred.

We also offer information technology solutions in several medical care market channels by providing physicians with information at the point of care. Our products, unlike those from many other medical information companies, make use of smart cell phones such as the Apple iPhone, the Palm Pre, the Google Droid and a wide selection of Microsoft Windows based smart phones and operate in either in a wireless or "wired" mode, which allow physicians to carry, access and update their patients' histories, also known as electronic medical records or EMR, medication data, and best care guidelines - *all at the point of care*, or from any other location the physician may be located. In addition, the company's products employ proprietary mathematical game theory features adapted by the company for medical use that allow acceptance of diagnoses and treatment protocols where the medical information may have originated from one or several locations and one time or several times.

In October 2014 we adopted a value added/private label business model to address the issues brought to our market by the radical reimbursement changes by the federal Medicare program. We also hired a market executive with over 40 years of experience to implement our new strategy.

In March 2015 we acquired special intellectual property which shall serve our business interests now and into the future. We finalized an arrangement with Alpha Capital Anstalt ("Alpha") on March 27, 2015 whereby Alpha purchased an 18-month 15% OID derivative instrument in the amount of $275,000 from the company to facilitate the acquisition of this intellectual property. Terms of this agreement with Alpha, which will be filed in total with our 2Q 2015 Quarterly Report, call for a 15% OID with both redemption and conversion features and 50% Warrant coverage (for follow-on investment). The conversion feature set the conversion price as the closing price of the company's common stock on March 27, 2015 less $.02 per share. We completed another transaction with Alpha in June 2015 under similar terms to the March 2015 transaction. On the most recent transaction Alpha financed our acquisition of specialty manufacturing equipment to facilitate our contract manufacturer in Korea.

In the Fall of 2014 the company announced its Discretion cloud wireless glucose monitoring product concepts, which will be manufactured for the company according to spec by its Korean contract manufacturer. In April 2015 the company entered into discussions with HMD Biomedical, Inc. in Taiwan for the importing of HMD's FDA cleared "Cloudia," product. The company has adapted its smart cell-phone medical software, an outgrowth of the company's MD@Hand development, so that users can monitor and track their diabetes treatment and monitoring on their smart cell phones. This software will also be adapted for future users of its internally developed Discretion product.

We have received multiple inquiries from companies interested in perhaps collaborating with the company for the implementation of its cell phone centric technologies MD@Hand and MD@Work. However, the market available for products similar to MD@Hand and MD@Work has changed since its introduction in 2009. The legal challenges to the new health care law and the federal government's inability to enact regulations have altered the landscape, again. We remain in discussions with multiple concerns for the marketing of our MD@ products, and any agreement we may enter will require us to provide contract software programming, providing a new source of revenue for the company. In addition to any proposed partnerships, we continue to discuss alternative propositions with other interested companies ranging from clinical laboratories, service organizations owned or aligned with medical health insurers, a medical content provider and legacy healthcare systems companies. There remains sustained interest in our MD@ technology. All of our discussions are with companies are much larger than Decision Diagnostics. We may or may not entertain additional proposed partnerships for our implementation of the cell phone centric technologies, which has been hindered, as has the overall market, by the slow implementation of regulations, protocols and data formats by the Federal government, as well as a change in previously announced Federal government monetary incentives.

In May 2010, we entered into agreement with Shasta Technologies, Inc. and Broadtree, Inc. This agreement granted our Pharma Tech Solutions, Inc. subsidiary the exclusive marketing rights to a new diagnostic product not yet on the market named Shasta Genstrip ("Genstrip"). The Genstrip product was developed to compete against the market leader in the $20 billion at home testing market. Shasta was in default of this 2010 Agreement, and owed the company in excess of $2 million in "delay" penalties, which they were unable to pay, so in April 2011, the company renegotiated its agreement changing its many roles and

adding responsibility for regulatory approval, manufacturing and forecasting, international sales and additional sales markets in the U.S. On March 20, 2014 we acquired the GenStrip intellectual property, its marks and the cleared 510(k). On April 30, 2014 we first implemented our FDA mandated Quality Plan and are now operating as the manufacturer (operator) of the GenStrip 50.

As a part of the company's strategic plans, we have applied (to register) for seven Trademarks with the USPTO. The company's Genstrip product is a registered Trademark of Shasta Technologies LLC. Our applications were filed with the USPTO in 1Q and 2Q 2015. The company intends to use these Marks, as granted, to brand new products, rebranding of existing products, and the establishment of a family of Marks associated with our company and its place in our industry. As of November 16, 2015 the company has received registration confirmation from the USPTO for the following Marks:

"Alltara!"
"GenUltimate!"
"Discretion Messenger"
"ValuStrips"

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.

We currently employ five professionals at our executive business office located at 2660 Townsgate Road, Suite 300, Westlake Village, California 91361. In addition, we maintain two full-time and seven part-time positions located throughout the United States. We also maintain a Quality Assurance office in York, PA as a means to fulfill our quality commitment to the FDA. This office is staffed by our Principal Executive who commutes several times monthly (especially during manufacturing runs) from California. Our telephone number is (805) 446-1973 and our website addresses are www.decisiondiagnostics.com and www.pharmatechdirect.com.

The company's stock currently trades on the OTCMarkets OTC Pink Current Reporting tier of the market. The company's shares are DTC eligible. On May 12, 2015 the company made an application for a tier change to the OTCQX (common) tier. The company's application is currently being supplemented to meet several recent SEC penny stock rules, and the company has received a proposed solution for the penny stock rules issue from OTCMarkets, but more importantly the company's sponsoring brokerage unexpectedly and without notice voluntarily shut down as of May 31, 2015. Thus, we are seeking a new sponsoring relationship. Prior to the shutdown of this brokerage, the company did secure the approval of its Designated Advisor for Disclosure (DAD), a mandated part of the process.

Business activities throughout the next twelve months:

The company's business on a day-to-day basis includes the distribution of our GenStrip 50, and the distribution of prescription and non-prescription diagnostics, at-home testing, post-surgical products.

Beginning in November 2009, we introduced our cell-phone centric medical IT products that offer solutions in medical care and management by providing physicians with information at the point of care. Unlike other medical information systems using standard computer terminals or even palm-sized computers (PDA's), our software applications operate on a series of late generation smart e-cell phones including the Apple iPhone, the Palm Pre, the Google Droid, several makes of RIM's Blackberry and many versions of the Microsoft Windows smart phones. Our products allow physicians to access and update their patients' histories, medication data, and best care guidelines - *all at the point of care*. The company's Electronic Medical Records software is believed to be the first EMR application running on any palm sized mobile device. Recently we ported our software to run on a series of pad computers such as Apple iPad and the 'Droid powered pads.

Our business objectives include:

1. The practice of specializing in the distribution of Genstrip 50 and several brand-name medical diagnostic and medical disposable products associated with the on-going care of diabetes-inflicted patients, and the world-wide distribution of our new proprietary diagnostic product Genstrip 50.
2. Combining our wholesale and retail drug distribution with our cell phone centric technologies, creating wholesale and retail ePharmacies similar in function to existing Internet pharmacies but directed to serving the large base of underinsured and uninsured Americans; and
3. Providing medical communication and EMR medical history and storage devices based on networks of smart cell phones These products are believed to provide benefits of on demand medical information to private practice physicians, licensed medical service providers such as diagnostic testing laboratories, and medical insurers. We have created cell phone-centric products and a suite of Internet enhanced software applications that include those features that specifically respond to the requirements of the practicing physician and the regulations currently being promulgated by the Federal government.

We also have adapted our medical communications and EMR technologies to service the real estate management and hotel/motel/convenience industries in their own commercial settings. In March 2010, our Board approved the sale of the company's hotel/motel technologies and business base so we can focus on our core medical IT and medical distribution businesses. In past years when we had market focus on the hotel/motel industry, our real estate and hotel/motel objectives include building electronic commerce networks based on personal digital assistants (PDA) and pad based computers to the hotels, motels and single building, multi-unit apartment buildings with a desire to offer local advertising and electronic services to their tenants/guests.

Financing Requirements

At September 30, 2015, we had cash of $543,245 and negative working capital of $869,120. We anticipate that we will require $71 million in trade debt financing to finance our expected sales of Genstrip 50, as the current litigation ends in the company's favor. In March 2012 we renewed our agreement with Alpha Credit Resources ("ACR") to obtain this debt financing. In November 2013 we executed a new line of credit with Alpha Credit Resources, replacing our pervious line. The new credit line is for $12.5 million, but with the velocity of our product sales, could yield over $250 million in annually available credit. We have not yet drawn down any credit financing from ACR. We will from time to time continue to seek a combination of equity and long-term debt financing as well as other traditional cash flow and asset backed financing to meet our financing needs and to reduce our overall cost of capital. Additionally, in order to accelerate our growth rate and to finance general corporate activities, we may supplement our existing sources of funds with financing arrangements at the operating system level or through additional short-term borrowings. As a further capital resource, we may sell or lease certain rights or assets from our portfolio as appropriate opportunities become available. However, there can be no assurance that we will be able to obtain any additional financing, on acceptable terms or at all.

Results of Operations for the nine months ended September 30, 2015 and 2014 compared.

The following tables summarize selected items from the statement of operations for the nine months ended September 30, 2015 compared to 2014.

INCOME:	Nine Months Ended September 30,			
	2015	2014		
Revenue	$ 292,033	$ 375,597	(83,564)	-22.25%
Cost of sales	97,272	188,121	(90,849)	-48.29%
Gross profit	194,761	187,476	7,285	3.89%
Gross profit margin	66.69%	49.91%	-8.72%	

During fiscal 2013, we determined to discontinue our wholesale distribution business. The decline in revenue was anticipated and the direct result of our phasing out of sales of brand name diagnostic products as a result of the Medicare Competitive Bidding that went into effect January 1, 2013 and locked into place in all 50 states as of July 1, 2013. The net effect of these Medicare changes lowered reimbursement rates for all of the company's existing product lines by 68%. In addition, the overall at home testing market was already being hindered by the general poor economic conditions, longer payment cycles from insurers, additionally, our business model did not included the sale of retail brand-name products. These conditions maycontinue throughout 2015, but will enhance sales of our GenStrip 50 as we continue to develop our marketing and distribution channels. Our increase in cost of sales is also as expected due to a majority of the 2014 revenue being professional fees with no associated costs.

OPERATING EXPENSES:

	Nine Months Ended September 30,			
Expenses:	**2015**	**2014**	**9 Months**	**% Δ**
Advertising	-	135,158	(135,158)	-100.00%
General & administrative expenses	325,801	256,049	69,752	27.24%
Consulting	118,474	145,069	(26,595)	-18.33%
Payroll expense	25,697	20,409	5,288	25.91%
Professional fees	1,708,972	541,172	1,167,800	215.79%
Total expenses	2,178,945	1,097,857	1,081,088	98.47%

General and administration expenses include office expenses (including bad debt, rent, cleaning and maintenance, utilities, and telephone), insurance, and bank charges. During the nine months ended September 30, 2015, advertising decreased by $135,158 to $0, (2014 - $135,158) due to the direct result of our phasing out of sales of brand name diagnostic products as a result of the Medicare Competitive Bidding that went into effect January 1, 2013 and locked into place in all 50 states as of July 1, 2013, general and administration expenses increased by $69,752 to $325,801 (2014 - $256,049). The increase was due primarily to sales consulting commissions of $50,000 (2014 - $0). General and administration expenses historically account for approximately 2% of our total revenue. During the current year the amount we have spent on our general and administrative costs has increased, however due to our decline in revenue the expense as a percentage of revenue has increased to 746%. As we experience growth in revenues, general and administration expenses are expected to decrease on a percentage of revenue basis.

Consulting expenses for the nine months ended September 30, 2015decreased by $26,595 to $118,474 (2014 - $145,069). Historically, management shifts its labor requirements between, outside consultants, casual labor and in-house management dependent upon availability and cost effectiveness of resources. During 2014, the majority of our labor was derived from the use of outside consultants. Our compensation structure is comprised of both cash and equity of the Company. We intend to continue to

compensate our consultants with equity of the Company into 2015 until such time our revenues provide sufficient cash flows to cover these expenses. The launch of our Genstrip 50 product in March 2013 required substantial adding of resources. The company decided to add temporary consulting talent rather than hiring and educating its own talent. We have more recently begun replacing our consultants with alliances with industry independent contractors.

Professional fees include accounting services, legal fees and regulatory reporting compliance. The significant increase in professional fees of $1,167,800 to $1,708,972 (2014 - $541,172) is due primarily to an increase in professional advisement and legal fees incurred in connection with our current litigation wherein we engaged additional legal counsel to assist in the review of potential new sales/distributing agreements as well as to review general corporate matters. We anticipate our legal fees to continue until all ongoing litigation issues with the division of Johnson & Johnson are resolved.

OTHER INCOME (EXPENSE):

	September 30,			
Other income (expense):	**2015**	**2014**	**9 Months**	**% Δ**
Financing costs	(16,965)	-	(16,965)	100.00%
Interest expense, net	(202,208)	(309,815)	107,607	-34.73%
Settlement expense	-	(20,000)	20,000	100.00%
Loss on obsolete inventory	-	(187,425)	187,425	100.00%
Total other income (expense)	(219,173)	(517,240)	298,067	-57.63%

Our other income and expense decreased an overall $298,067 from $517,240 in 2014 to $219,173 in 2015. Other income and expense includes costs related to our financing activities associated with our debt and equity offerings of $16,965 (2014 - $0) and write-down of obsolete inventory of $0 (2014 - $187,425).

We recorded a net loss for the nine months ended September 30, 2015 of $2,206,169 compared to a net loss in 2014 of $1,438,358. Our total operating and non-operating expenses in 2015 totaled $2,400,930 compared to $1,625,834 in 2014, representing an overall increase in total expenses of $775,096. This change was primarily the result of ceasing our brand name distribution business model, said changes resulting from the Medicare Competitive Bidding regulations that went into effect in 2013, thereby lowering reimbursement rates by 68%.

Liquidity and Capital Resources

A critical component of our operating plan impacting our continued existence is the ability to obtain additional capital through additional equity and/or debt financing. We do not anticipate generating sufficient positive internal operating cash flow until later in 2015, as a result of several factors, including our on-going litigation with a division of Johnson & Johnson, and the change in our status from exclusive distributor of our GenStrip 50, to the manufacturer of this product (mow in process), complete additional financial service company acquisitions and generate substantial revenues, which may take the next few years to fully realize. We believe we are adequately capitalized in the near term, but as our Genstrip 50 product grows along its product life cycle, we may not obtain the necessary capital to pursue our strategic plan, and in the ultimate negative situation, we may have to cease or significantly curtail our operations. This would materially impact our ability to continue operations.

As of September 30, 2015, we had cash and cash equivalents of $543,245, inventory of $4,450, prepaid expenses of $1,604,589, and accounts receivable of $428,085. Net cash used by operating activities for the nine months ended September 30, 2015 was approximately $1,028,781. Current liabilities of $3,449,489 consisted of: $741,074of accounts payable and accrued liabilities, accrued interest of $449,402, subscriptions payable of $77,500, and notes payable of $2,181,513. As of September 30, 2015, we have a negative working capital of $869,120.

The accompanying financial statements have been prepared contemplating a continuation of the Company as a going concern. The Company has reported an accumulated deficit of $37,483,128 and a net loss of $2,206,169 for the nine months ended September 30, 2015. Additional investments are being sought, but we cannot guarantee that we will be able to obtain such investments. Financing transactions may include the issuance of equity or debt securities, obtaining credit facilities, or other financing mechanisms. However,

the trading price of our common stock and conditions in the U.S. stock and debt markets could make it more difficult to obtain financing through the issuance of equity or debt securities. Even if we are able to raise the funds required, it is possible that we could incur unexpected costs and expenses, fail to collect significant amounts owed to us, or experience unexpected cash requirements that would force us to seek alternative financing. Further, if we issue additional equity or debt securities, stockholders may experience additional dilution or the new equity securities may have rights, preferences or privileges senior to those of existing holders of our common stock. If additional financing is not available or is not available on acceptable terms, we will have to curtail our operations

Cash to Operating Activities

During the nine months ended September 30, 2015, operating activities used cash of $1,028,781 compared to using cash of $1,034,499 in 2014. Our operating loss for 2015 was $2,206,169 and included shares issued for financing fees of $16,965 (2014 - $0) and shares issued for consulting and compensation expenses of $622,750 (2014 - $237,750). Our change in accounts receivables increased $36,593 to $160,594 (2014 – $124,001). Our change in prepaid expenses decreased by $92,376 to $23,089 (2014 – $115,465).Our change in inventory increased $20,554 to $87,437 (2014 - $66,883). Our change in accounts payable and accrued liabilities increased by $463,409 to $431,711 (2014 –decreased $31,698) due to the amount payable for two acquired patents at June 30, 2015. Accrued interest increased by $119,243 to $202,208 (2014- $182,965) related to our convertible debt offering. Our contingent liabilities remained constant in 2015 as compared to 2014 due to the recognition of liability due to our involvement in legal matters. Our year to year change in Cash to Operating Activities was the direct result of three factors: (a) the changes to Medicare reimbursement taking effect on July 1, 2013, (b) the on-going litigation with the division of Johnson & Johnson, and (c) the inability of the previous GenStrip manufacturer Shasta Technologies to implement an acceptable quality plan with the USFDA, and in general manage the manufacturing of a regulated healthcare device.

Cash from Investing Activities

During the nine months ended September 30, 2015, investing activities used cash of $485,642(2014 - $186,401) due primarily to the acquisition of specialty manufacturing equipment and two patents. On March 27, 2015 we acquired special intellectual property which shall serve our business interests now and into the future. We finalized an arrangement with Alpha Capital Anstalt (“Alpha”) on March 27, 2015 whereby Alpha purchased an 18-month 15% OID derivative instrument in the amount of $277,500 from the company to facilitate the acquisition of this intellectual property. Terms of this agreement with Alpha, which will be filed in total with our 2Q 2015 Quarterly Report, call for a 15% OID with both redemption and conversion features and 50% Warrant coverage (for follow-on investment). The conversion feature in the instrument set the conversion price as the closing price of the company’s common stock on March 27, 2015.

Cash from Financing Activities

During the nine months ended September 30, 2015, financing activities produced net cash of $307,666 (2014 – $797,210). This change is primarily a result of the sale of equity and issuance of new debt instruments.

Internal and External Sources of Liquidity

Alpha Credit Resources LLC (formerly Centurion Credit)

On November 17, 2007, we entered into an agreement with Alpha Credit Resources LLC to secure a $1,000,000 revolving credit facility that is geared specifically to our business. As of October 2008, the company renewed its agreement with Alpha Credit Resources LLC until November 17, 2009 and as an inducement to renew the credit line was increased to $2,000,000, with additional seasonal increases to $2,500,000. In June 2010 we began discussions with Alpha Credit for an additional $6.0 million credit facility to provide available credit to finance sales of our new at-home testing diagnostic product. The company last borrowed funds using the credit line in the period ended September 30, 2011. The agreement matured on December 31, 2011 without renewal. In March of 2012, we executed a renewal agreement with Alpha Credit. The renewal period matured on December 31, 2012. In December 2013 we again renewed our credit line with Alpha Credit,

expanding our credit line to $12.5 million (Fourth Omnibus Renewal). As a part of the most recent renewal agreement all previous accrued debt and interest owed Alpha Credit was reduced to $0.00.

Cash Flow.

Since inception, we have primarily financed our cash flow requirements through the issuance of common stock, the issuance of notes and sales generated income. With anticipated growth in 2015 we may, during our normal course of business, experience net negative cash flows from operations, pending receipt of revenue, which often are delayed because of the nature of the healthcare industry. Further, we may be required to obtain financing to fund operations through additional common stock offerings and bank or other debt borrowings, to the extent available, or to obtain additional financing to the extent necessary to augment our available working capital.

Satisfaction of our cash obligations for the next 12 months.

As of September 30, 2015, our cash balance was $543,245. Our plan for satisfying our cash requirements for the next twelve months is through additional equity, third party financing, and/or debt financing. We anticipate sales-generated income during that same period of time, but do not anticipate generating sufficient amounts of positive cash flow to meet our working capital requirements. Consequently, we intend to make appropriate plans to insure sources of additional capital in the future to fund growth and expansion through additional equity or debt financing or credit facilities.

As we expanded operational activities, we may continue, from time to time, to experience net negative cash flows from operations, pending receipt of sales or development fees, and will be required to obtain additional financing to fund operations through common stock offerings and debt borrowings to the extent necessary to provide working capital. It was not until the company entered into the agreement with Alpha Credit Resources, LLC that the company could fill orders for patients and customers on a continuous basis. Until the Alpha Credit line was put in place, we managed to keep a small portion of our distribution activities going when our limited resources allowed us which remains true as of this filing.

Predictions of future operating results are difficult to ascertain due to our historic operating activities. The recent addition of a credit line has helped but we have found it increasingly difficult to transact commerce in the very cash intensive prescription drug industry. Thus, our prospects must be considered in light of the risks, expenses and difficulties frequently encountered by companies in their early stages of commercial viability, particularly companies in new and rapidly evolving technology markets. Such risks include, but are not limited to, an evolving and unpredictable business model and the management of growth. To address these risks we must, among other things, implement and successfully execute our business and marketing strategy, continue to develop and upgrade technology and products, respond to competitive developments, and continue to attract, retain and motivate qualified personnel. There can be no assurance that we will be successful in addressing such risks, and the failure to do so can have a material adverse effect on our business prospects, financial condition and results of operations.

Expected purchase or sale of plant and significant equipment.

We do not anticipate the purchase or sale of any plant or significant equipment; as such, items are not required by us at this time.

Going Concern

The financial statements included in this report have been prepared in conformity with generally accepted accounting principles that contemplate the continuance of the Company as a going concern. The Company's cash position is currently inadequate to pay all of the costs associated with testing, production and marketing of products. Management intends to use borrowings and security sales to mitigate the effects of its cash position, however no assurance can be given that debt or equity financing, if and when required will be available. The 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 the Company be unable to continue existence.

Contingencies and Litigation

We transact commerce in several medical products market channels. We also transact commerce by licensing our proprietary medical software that functions by moving confidential medical data through our proprietary medical information technology devices and networks. Our new Shasta Genstrip product required initial regulatory approval by the USFDA as well as on-going USFDA approvals during the product life cycle. Further, Shasta Genstrip required medical patient trials and competes directly with a major platform manufacturer.

Healthcare, especially those segments where the company competes, is a very litigious. Competing companies often use litigation as a marketing tool, bringing litigation as a means to protect market share and limit market exposure. The medical industry is also intertwined. From time to time, we may become involved in claims and litigation that arise out of the normal course of business, such as litigation that emerges from disputes over damaged, missing or contaminated product, litigation that arises over payment disputes or claims of fair value. We may also become involved in disputes that arise over the business or business practices of our suppliers, payers and customers. It is not uncommon in our industry to find that a litigant has filed claims in multiple jurisdictions involving the same transaction or a single transaction. The company maintains substantial insurance coverage against suits that may arise over issues of damaged, recalled or counterfeit product and other product liability issues. The company has also been a victim of the unapproved acts of prior management. These acts have resulted in claims from individuals and entities since the Board relieved former management of duty in 2006. Nonetheless, these claims have resulted in the use of management time and company resources to investigate, litigate, or settle. In addition, the company accrues contingent legal fees and product liability fees. As of September 30, 2015, our accrual was $245,069.

From time to time, the company may also be subject to demands from individuals or entities. These demands and disputes may consume management time and company resources. Other than as noted below, if there is such a disclosure, there are no pending matters at the current time that in management's judgment may be considered potentially material to us.

We have been in litigation with Lifescan Inc. a subsidiary of Johnson & Johnson since September 2011. Lifescan has maintained throughout that our Genstrip product infringes on three of their patents. One of these patents has become the subject of peripheral litigation activities, and two Appeals (one for each side) to the U.S. Appeals Court for the Federal Circuit (the patents appeals court). Throughout this Appeal process, and a litigation process waged through the USPTO, the company has prevailed. Recently, as a result of certain claims and allegations made by Lifescan after the close of the USPTO final determination (in favor of the company), the office of the Solicitor General has intervened against Lifescan Inc. in the Federal Circuit court. Final rulings are expected in late 2015. Nonetheless the seeming baseless allegations and claims made by Lifescan against the company have taken their toll, limited our ability to sell Genstrip 50 to large entities ("big box stores") and greatly extended the court processes.

In the Spring of 2013, fearing the impact of the Genstrip product in an open market, Lifescan took it upon themselves to violate a court protective order and prepared and sent out thirty page certified (veiled threat) letters to customers of the company and the customers of the company's customers, making it clear to these entities that should they do business with the company, or buy Genstrip product from others doing business with the company, they could or would be added as defendants to the patent infringement suit. Most independent pharmacies in the U.S. sell less than a case (24 boxes) of a single brand of glucose test strips monthly. It is easy to ascertain that an independent pharmacy would choose not to "poke the bear" and risk a several hundred thousand dollar defense, rather than halting sales of Genstrip. Some large retailers were visited or called by Lifescan management and provided with the same veiled threats. Lifescan even calculated that by breaching the protective order, the sanctions they would be assessed would amount to far less than the business loss they would otherwise suffer. Slowly however, the litigation environment enjoyed by Lifescan has changed. Most recently Lifescan, perhaps realizing litigation reality, dismissed all of their claims involving one patent, with prejudice, and dropped (with prejudice) all damage claims on a second of their three patents. The third Lifescan patent is clinging to life in an appeals court, with the office of the Solicitor General intervention.

More recently, during the writing of this document, the company has requested again, all documents related to communication with these besieged customers of the company, and the customers of the company's customers. Certified mail leaves an audit trail, and soon through the court discovery process, the company will be able to get to the bottom of this illegal behavior. Proving this behavior would help the prospects of Genstrip dramatically.

In December 2014 counsel for Lifescan wrote a letter to the trial judge who is hearing all three patent matters. This letter outlined a series of issues involving Lifescan's lead damages "expert" during litigation proceedings. Lifescan's expert claimed educational and qualification credentials that were not true at the time of the "expert" testimony, and are not true even today. This expert also assisted Lifescan's counsel in at least one other case, and other companies' counsels in unrelated cases. Testimony from this expert, in each instance, allowed the Plaintiffs in these cases to secure court rulings to the detriment of the Defendants. In the company's case this expert was used twice and assisted Lifescan to receive preferential treatment from the court for setting of a litigation bond to cover potential damages, wherein the "expert" through testimony limited the scope and calculation of damages in the setting of the damages protection afforded by the litigation bond and the damages resulting from Lifescan's violation of the court protective order. Lifescan's letter admonition came over a year after their successful use of this "expert."

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 over Patent No. 7,250105. The patent has 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 Solicitor General has intervened in this appeal on the side of the companies.

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 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 so that the companies may pursue their counterclaims against the division of Johnson and Johnson, including the companies' prosecution of its anti-trust case.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results or operations, liquidity, capital expenditures or capital resources that is material to investors.