

**BIO NITROGEN CORPORATION**  
**FINANCIAL STATEMENTS**  
**MARCH 31, 2012**

**BIO NITROGEN CORPORATION**  
**BALANCE SHEET**

	March 31, 2012 (unaudited)	December 31, 2011 (audited)
Assets:		
Current Assets		
Cash and cash equivalents	\$ 26,306	\$ 7,782
Accounts receivable	50,039	-
Other current assets	23,129	4,250
Total Current Assets	99,474	12,032
Property and equipment, net	46,883	-
Total Assets	\$ 146,357	\$ 12,032
Liabilities and Stockholders' Equity:		
Accounts payable and accrued liabilities	\$ 1,017,828	\$ 383,455
Convertible promissory note payable	67,766	67,766
Total Liabilities	1,085,594	451,221
Stockholders' Equity:		
Series A Preferred Stock, \$0.001 par value, shares authorized 10,000,000, 0 shares issued and outstanding	-	-
Common Stock, \$0.001 par value 1,000,000,000 shares authorized, 200,500,187 and 200,500,187 issued and outstanding	200,500	200,500
Additional Paid-In Capital	11,861,477	11,861,477
Accumulated Deficit	(13,001,214)	(12,501,166)
Total Stockholders' Equity (Deficit)	(939,237)	(439,189)
Total Liabilities and Stockholders' Equity	\$ 146,357	\$ 12,032

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

**BIO NITROGEN CORPORATION**  
**STATEMENT OF OPERATION**

(Unaudited)

	For the Three Months Ended	
	March 31,	
	2012	2011
Revenues	\$ -	\$ -
Cost of Services	-	-
Gross Profit	-	-
Operating expenses:		
Rent	31,403	-
Stock for Services	-	-
Payroll	221,257	-
General and Administration	247,388	-
Total operating expenses	500,048	-
Loss from operations	(500,048)	-
Financing Costs and Interest	-	-
Net Loss	\$ (500,048)	\$ -
Loss per share	\$ (0.002)	-
Weighted average shares outstanding	200,500,187	259,219

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

**BIO NITROGEN CORPORATION.**  
**STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)**  
**(Unaudited)**

	Common Stock		Series A Preferred Stock		Additional	Retained	Total
	Shares	Amount	Shares	Amount	Paid in Capital	Deficit	
Balance January 1, 2010	49,353	\$ 49	-	\$ -	\$2,980,533	\$(3,380,582)	\$ (400,000)
Shares issued for debt	83,333	83	-	-	3,009,122	-	3,009,205
Stocks issued for services	126,533	127	-	-	1,338,023	-	1,338,150
							-
Net Loss for the year ended December 31, 2010	-	-	-	-	-	(4,182,980)	(4,182,980)
Balance December 31, 2010	259,219	259	-	-	7,327,678	(7,563,562)	(235,625)
Shares issued for debt	240,967	241	-	-	4,333,799	-	4,334,040
Stock issued for debt	100,000,000	100,000	-	-	100,000	-	200,000
Stock issued for merger	100,000,001	100,000	-	-	100,000	-	200,000
Net Loss for the year ended December 31, 2011	-	-	-	-	-	(4,182,980)	(4,182,980)
Balance December 31, 2011	200,500,187	200,500	-	-	11,861,477	(12,501,166)	(439,189)
Net Loss period ended March 31, 2012	-	-	-	-	-	(500,048)	(500,048)
Balance March 31, 2012	200,500,187	\$ 200,500	-	\$ -	\$11,861,477	\$(13,001,214)	\$(939,237)

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

**BIONITROGEN CORPORATION**  
**STATEMENT OF CASH FLOWS**  
(Unaudited)

	For the Three Months Ended	
	March 31,	
	2012	2011
Cash Flows from Operating Activities:		
Net Loss for the period	\$ (500,048)	\$ -
Depreciation expense	4,262	-
Adjustments to reconcile net loss to net cash provided by operating activities:		
Stock issued	-	-
Financing Costs	-	-
Changes in Assets and Liabilities:		
(Increase) in Accounts Receivable	(45,789)	-
(Increase) in Other Current Assets	(23,129)	-
Increase (Decrease) Accounts Payable and accrued liabilities	634,373	-
Net cash (used) in operating activities	69,669	-
Cash Flows from Investing Activities:		
Purchase of Furniture & Fixtures	(51,145)	-
Net Cash Provided by (Used in) Investing Activities	(51,145)	-
Cash Flows from Financing Activities:		
Cash Received for Stock	-	-
Reduction of Debt	-	-
Net Cash Provided by Financing Activities	-	-
Net (Decrease) Increase in Cash	18,524	-
Cash at Beginning of Period	7,782	-
Cash at End of Period	\$ 26,306	\$ -
Supplemental Disclosures:		
Income Taxes Paid	\$ -	\$ -
Interest Paid	\$ -	\$ -

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

**BIO NITROGEN CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**MARCH 31, 2011**

**NOTE 1 - ORGANIZATION AND DESCRIPTION OF BUSINESS**

Bio Nitrogen Corporation, (“BioNitrogen” or the “Company”) is a clean tech company that utilizes proprietary technology to build environmentally friendly plants that convert biomass into urea fertilizer.

BioNitrogen was originally incorporated in the State of New Jersey on August 16, 1990 under the name American Acquisition Corporation. On February 27, 1996 the Company changed its name to Savin Electronic Ltd and on June 16, 1999 changed its name to Hidenet Secure Architectures, Inc. On November 8, 2011 the Company changed its name to Bio Nitrogen Corporation after a share exchange agreement in May of 2011 whereby a subsidiary Bio-Sng Technologies International, Corp effectuated a reverse merger. All references to “the Company” “we”, “us” and “our” refer to BioNitrogen and its subsidiaries at the time except where specifically indicated otherwise.

The Company is a US company focused on building fully operational manufacturing facilities in the global marketplace to produce urea fertilizer. The Company’s patent pending technologies will transform residual agricultural waste and other biomass materials into urea for sale to farmers and agricultural wholesalers and retailers. The urea manufactured in the BioNitrogen plants for use as a crop fertilizer will use agricultural biomass rather than natural gas or chemicals as a feed stock.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Basis of presentation*

The Company’s financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Management further acknowledges that it is solely responsible for adopting sound accounting practices, establishing and maintaining a system of internal accounting control and preventing and detecting fraud. The Company's system of internal accounting control is designed to assure, among other items, that 1) recorded transactions are valid; 2) valid transactions are recorded; and 3) transactions are recorded in the proper period in a timely manner to produce financial statements which present fairly the financial condition, results of operations and cash flows of the Company for the respective periods being presented

*Use of estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include the estimated useful lives of property and equipment. Actual results could differ from those estimates.

*Cash equivalents*

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

### Fair value of financial instruments

The Company follows paragraph 825-10-50-10 of the FASB Accounting Standards Codification for disclosures about fair value of its financial instruments and paragraph 820-10-35-37 of the FASB Accounting Standards Codification (“Paragraph 820-10-35-37”) to measure the fair value of its financial instruments. Paragraph 820-10-35-37 establishes a framework for measuring fair value in accounting principles generally accepted in the United States of America (U.S. GAAP), and expands disclosures about fair value measurements. To increase consistency and comparability in fair value measurements and related disclosures, Paragraph 820-10-35-37 establishes a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value into three (3) broad levels. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three (3) levels of fair value hierarchy defined by Paragraph 820-10-35-37 are described below:

- Level 1 Quoted market prices available in active markets for identical assets or liabilities as of the reporting date.
- Level 2 Pricing inputs other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date.
- Level 3 Pricing inputs that are generally observable inputs and not corroborated by market data.

The carrying amount of the Company’s financial assets and liabilities, such as cash, prepaid expenses and accrued expenses approximate their fair value because of the short maturity of those instruments. The Company’s notes payable approximate the fair value of such instruments based upon management’s best estimate of interest rates that would be available to the Company for similar financial arrangements.

The Company does not have any assets or liabilities measured at fair value on a recurring or a non-recurring basis.

### Equipment

Equipment is recorded at cost. Expenditures for major additions and betterments are capitalized. Maintenance and repairs are charged to operations as incurred. Depreciation of equipment is computed by the straight-line method (after taking into account their respective estimated residual values) over the assets estimated useful life of three (3) or seven (7) years. Upon sale or retirement of equipment, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is reflected in statements of operations.

### Impairment of long-lived assets

The Company follows paragraph 360-10-05-4 of the FASB Accounting Standards Codification for its long-lived assets. The Company’s long-lived assets, which includes computer equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable.

The Company assesses the recoverability of its long-lived assets by comparing the projected undiscounted net cash flows associated with the related long-lived asset or group of long-lived assets over their remaining estimated useful lives against their respective carrying amounts. Impairment, if any, is based on the excess of the carrying amount over the fair value of those assets. Fair value is generally determined using the asset’s expected future discounted cash flows or market value, if readily determinable. If long-lived assets are determined to be recoverable, but the newly determined remaining estimated useful lives are shorter than originally estimated, the net book values of the long-lived assets are depreciated over the newly determined remaining estimated useful lives.

The Company determined that impairment of long-lived assets as of March 31, 2011 was appropriate.

### Commitments and contingencies

The Company follows subtopic 450-20 of the FASB Accounting Standards Codification to report accounting for contingencies. Liabilities for loss contingencies arising from claims, assessments, litigation, fines and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount of the assessment can be reasonably estimated.

### Revenue recognition

The Company follows paragraph 605-10-S99-1 of the FASB Accounting Standards Codification for revenue recognition. The Company will recognize revenue when it is realized or realizable and earned. The Company considers revenue realized or realizable and earned when all of the following criteria are met: (i) persuasive evidence of an arrangement exists, (ii) the product has been shipped or the services have been rendered to the customer, (iii) the sales price is fixed or determinable, and (iv) collectability is reasonably assured.

### Income taxes

The Company follows Section 740-10-30 of the FASB Accounting Standards Codification, which requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are based on the differences between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the fiscal year in which the differences are expected to reverse. Deferred tax assets are reduced by a valuation allowance to the extent management concludes it is more likely than not that the assets will not be realized. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the fiscal years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the Statements of Income and Comprehensive Income in the period that includes the enactment date.

The Company adopted section 740-10-25 of the FASB Accounting Standards Codification (“Section 740-10-25”) with regards to uncertainty income taxes. Section 740-10-25 addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under Section 740-10-25, the Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than fifty percent (50%) likelihood of being realized upon ultimate settlement. Section 740-10-25 also provides guidance on de-recognition, classification, interest and penalties on income taxes, accounting in interim periods and requires increased disclosures. The Company had no material adjustments to its liabilities for unrecognized income tax benefits according to the provisions of Section 740-10-25.

### Net income (loss) per common share

Net income (loss) per common share is computed pursuant to section 260-10-45 of the FASB Accounting Standards Codification. Basic net income (loss) per common share is computed by dividing net income (loss) by the weighted average number of shares of common stock outstanding during the period. Diluted net income (loss) per common share is computed by dividing net income (loss) by the weighted average number of shares of common stock and potentially outstanding shares of common stock during the period. The weighted average number of common shares outstanding and potentially outstanding common shares assumes that the Company incorporated as of the beginning of the first period presented.

### Cash flows reporting

The Company adopted paragraph 230-10-45-24 of the FASB Accounting Standards Codification for cash flows reporting, classifies cash receipts and payments according to whether they stem from operating, investing, or financing activities and provides definitions of each category, and uses the indirect or reconciliation method (“Indirect method”) as defined by paragraph 230-10-45-25 of the FASB Accounting Standards Codification to report net cash flow from operating activities by adjusting net income to reconcile it to net cash flow from operating activities by removing the effects of (a) all deferrals of past operating cash, using the current exchange rate at the time of the cash flows and the effect of exchange rate changes on cash held in foreign currencies is reported as a separate item in the reconciliation of beginning and ending balances of cash and cash equivalents and separately provides information about investing and financing activities not resulting in cash receipts or payments in the period pursuant to paragraph 830-230-45-1 of the FASB Accounting Standards Codification.

### Advertising Costs

The Company expenses the cost of advertising and promotional materials when incurred. Total advertising costs were \$0 for the three months ended March 31, 2012 and 2011.

### Reverse Stock Split

On November 9, 2011 the Company effectuated a 300 to 1 reverse stock split. The financials have been recast to take into account this reverse for all periods presented.

### Subsequent events

The Company follows the guidance in Section 855-10-50 of the FASB Accounting Standards Codification for the disclosure of subsequent events. The Company will evaluate subsequent events through the date when the financial statements were issued. Pursuant to ASU 2010-09 of the FASB Accounting Standards Codification, the Company as an SEC filer considers its financial statements issued when they are widely distributed to users, such as through filing them on EDGAR.

### Recently issued accounting pronouncements

The following accounting standards were issued as of December 26, 2011:  
ASU 2010-06, Fair Value Measurements and Disclosures (Topic 820) – Improving Disclosures about Fair Value Measurements.

This ASU affects all entities that are required to make disclosures about recurring and nonrecurring fair value measurements under FASB ASC Topic 820, originally issued as FASB Statement No. 157, *Fair Value Measurements*. The ASU requires certain new disclosures and clarifies two existing disclosure requirements. The new disclosures and clarifications of existing disclosures are effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years.

ASU 2011-04, *Fair Value Measurement (Topic 820) – Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*

This ASU supersedes most of the guidance in Topic 820, although many of the changes are clarifications of existing guidance or wording changes to align with IFRS 13. In addition, certain amendments in ASU 2011-04 change a particular principle or requirement for measuring fair value or disclosing information about fair value measurements. The amendments in ASU 2011-04 are effective for public entities for interim and annual periods beginning after December 15, 2011.

### **NOTE 3 – GOING CONCERN**

As reflected in the accompanying financial statements, the Company had an accumulated deficit of (\$13,001,214) at March 31, 2012 and had a net loss of (\$500,048) for the three months ended March 31, 2012.

While the Company is attempting to commence operations and generate revenues, the Company's cash position may not be significant enough to support the Company's daily operations. Management intends to raise additional funds by way of a public or private offering. Management believes that the actions presently being taken to further implement its business plan and generate revenues provide the opportunity for the Company to continue as a going concern. While the Company believes in the viability of its strategy to generate revenues and in its ability to raise additional funds, there can be no assurances to that effect. The ability of the Company to continue as a going concern is dependent upon the Company's ability to further implement its business plan and generate revenues.

The consolidated financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

#### **NOTE 4 – CONVERTIBLE PROMISSORY NOTE PAYABLE**

The Company has a convertible promissory note at March 31, 2012 of \$67,766 to various assignees of a debt originating in 2007 plus interest of \$102,415 for a total of \$170,181. The note is a general unsecured note and accrues interest at a rate equal to 10% to 15% per annum in the event of default. The Company has the right to convert the note to common shares using \$.0001 per share conversion price. The Company was in default under this note during the quarter ended March 31, 2012 and the entire calendar year ending December 31, 2011. In 2011 \$82,234 was converted by the issuance of 82,234,000 shares of stock. The conversion price is \$0.001. As the Term for the debt has expired the company does not recognize any beneficial conversion feature between the conversion price and the market value of the stock. Subsequent to the period end, on June 27, 2012, the Company sold the note as allowed under the same terms of the note.

#### **NOTE 5 – RELATED PARTY TRANSACTIONS**

##### Salaries

The Company paid and accrued salaries in the ordinary course of business to its officers and directors during the three months ended March 31, 2012.

##### Issuance of Shares

The Company issued neither shares nor options described below to its officers valued at market under services during 2012.

#### **NOTE 6 – STOCKHOLDERS' DEFICIT**

##### Common Shares

In 2011 the Company issued 72,234,000 pre split shares or 240,967 shares post split for a debt reduction of \$72,234. The company recognized a finance charge on this transaction due to the difference in market price and conversion price.

On November 9, 2011 the Company effectuated a 300 to 1 reverse stock split resulting in 500,186 shares issued and outstanding.

Subsequently the Company issued 100,000,000 shares for a debt reduction of \$10,000, recognizing a finance charge and issued 100,000,001 for licensing rights and the acquisition of BIO-SNG. At March 31, 2012 200,500,187 common shares were issued and outstanding.

##### Preferred Shares

The Company authorized the issuance of 10,000,000 preferred shares at par in December 2011. The Company has yet to issue these shares.

#### **NOTE 7-COMMITMENTS AND CONTINGENCIES**

##### Legal matters

The Company may be subject to various routine legal proceedings arising out of the ordinary course of its business. Management believes that none of these actions, individually or in the aggregate, will have a material adverse effect on the Company's financial position, cash flows or results of operations.

##### Operating Leases

The Company has operating leases for the rental of office space with monthly minimum payments through 2015. Future minimum payments under non-cancelable operating leases at March 31, 2012 are shown below.

2012	\$ 39,957
2013	55,179
2014	57,716
2015	14,588

### *Employment Agreements*

As of April 2012, the Company has restructured its administration with agreements ranging from 1 to 5 years and will on average have an annual base of \$380,000 in salaries.

### **NOTE 8 – INCOME TAX**

Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carry forwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

At March 31, 2012, the Company had net operating loss carry forwards that may be offset against future taxable income from the year 2012 to 2032. No tax benefit has been reported in the financial statements since the potential tax benefit is offset by a valuation allowance of the same amount.

Due to the change in ownership provisions of the Tax Reform Act of 1986, net operating loss carry forwards for Federal Income tax reporting purposes are subject to annual limitations. As the Company underwent a change of ownership in 2011, the amount that can be utilized is approximately \$730,426 with an annual limitation of \$48,695.

### **NOTE 9 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events pursuant to the requirements of ASC Topic 855 and has determined that the following occurred.

1. Through June 15, 2012 the Company authorized but has not yet issued 3,750,000 shares of stock for services.
2. On June 27, 2012, the Company sold all of its rights and obligations under the 2007 convertible promissory note.
3. On June 28, 2012, the Company entered into a convertible debenture for \$400,000.