

I, Clayton Hardman, President certify that:

1. I have reviewed these quarterly financial statements of Biomagnetics Diagnostics Corporation;
2. Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement, and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Date: July 30, 2012

/ss/ Clayton Hardman

Clayton Hardman
President

Biomagnetics Diagnostics Corporation
(A Development Stage Company)

Balance Sheets

(Unaudited)

	June 30, 2012	December 31, 2011
<u>ASSETS</u>		
Current Assets		
Cash and Cash Equivalents	\$ 3,648	\$ 1,453
Prepaid Royalties	1,500	
Total Current Assets	5,148	1,453
Long Term Assets		
Property and Equipment - Net	1,234,592	1,307,614
License-Net	71,548	73,823
Patents - Net	55,663	56,558
Total Long Term Assets	1,361,803	1,437,995
Total Assets	<u>\$ 1,366,951</u>	<u>\$ 1,439,448</u>

LIABILITIES AND STOCKHOLDERS' DEFICIT

Current Liabilities		
Accounts Payable	\$ 30,742	\$ 25,439
Accrued Liabilities	2,617	2,617
Notes Payable	106,962	29,825
Notes Payable - Related Party	151,115	144,506
Total Current Liabilities	291,436	202,387
Stockholders' Equity		
Preferred Stock, authorized 10,000,000 shares, par value \$0.001 issued and outstanding on March 31, 2012 and December 31, 2011 is 1,000,000 respectively	1,000	1,000
Common Stock, authorized 100,000,000 shares, par value \$0.001, issued and outstanding on June30, 2012 and December 31, 2011 is 144,135,517 and 113,485,517 respectively	144,135	113,485
Paid in Capital	10,479,189	10,346,939
Prepaid Expense-Stock Related	-	(50,571)
Accumulated Deficit During Development Stage	(9,548,809)	(9,173,792)
Total Stockholders' Deficit	1,075,515	1,237,061
Total Liabilities and Stockholders' Deficit	<u>\$ 1,366,951</u>	<u>\$ 1,439,448</u>

The accompanying notes are an integral part of these statements

Biomagnetics Diagnostics Corporation

(A Development Stage Company)

Statements of Operation

(Unaudited)

	Three Months June 30,		Six Months Ended June 30,		March 10, 1997 (Inception) to June 30,
	2012	2011	2012	2011	2012
Income	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Expenses					
General and Administrative	49,117	53,663	105,014	104,529	1,337,694
Payroll	29,066	38,754	55,420	96,250	1,484,011
Professional and Consulting	5,071	131,761	71,239	175,955	3,873,281
Consulting-Related Parties	-	-	-	-	370,000
Marketing	500	-	500	-	389,726
Research and Development	-	72,338	-	178,589	804,468
Total Expenses	83,754	296,516	232,173	555,323	8,259,180
Net Loss from Operations	(83,754)	(296,516)	(232,173)	(555,323)	(8,259,180)
Other Income and (Expenses)					
Interest Income	-	-	-	16	5,008
Financing Costs	(108,700)	-	(108,700)	-	(108,700)
Interest Expense - Related Parties	-	(2,715)	-	(5,561)	(560,696)
Interest Expense	(4,858)	(1,121)	(19,144)	(2,572)	(625,242)
Total Other Income and (Expenses)	(113,558)	(3,836)	(127,844)	(8,117)	(1,289,630)
Net Loss before Income Tax	(197,312)	(300,352)	(360,017)	(563,440)	(9,548,810)
Income Tax	-	-	-	-	-
Net Income/(Loss)	<u>\$ (197,312)</u>	<u>\$ (300,352)</u>	<u>\$ (360,017)</u>	<u>\$ (563,440)</u>	<u>\$ (9,548,810)</u>
Basic and Diluted (Loss) per Share	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	<u>\$ (0.01)</u>	
Basic and Diluted Weighted Average Number of Shares	<u>118,644,308</u>	<u>81,836,515</u>	<u>118,644,308</u>	<u>81,836,515</u>	

The accompanying notes are an integral part of these statements

Biomagnetics Diagnostics Corporation
(A Development Stage Company)

Statement of Stockholders' Deficit
(Unaudited)

From March 10, 1997 (Inception) to December 31, 2011

	Issue Date	Price Per Share	Preferred Stock		Common Stock		Paid in Capital	Prepaid Expense Stock-Related	Deficit Accumulated During the Development Stage	Total Equity
			Shares	Amount	Shares	Amount				
Balance at inception, March 10, 1997			-	\$ -	-	\$ -	\$ -	\$ -	\$ -	\$ -
Common shares issued to founders	01-Mar-97	\$ 0.10			3,507,500	3,508	347,242			350,750
Common shares issued for cash	17-Mar-97	\$ 0.25			80,000	80	19,920			20,000
Common shares issued for services	12-Mar-97	\$ 0.25			132,270	132	32,936			33,068
Common shares issued for cash	29-Apr-97	\$ 0.40			120,750	121	48,179			48,300
Common shares issued for cash	18-Sep-97	\$ 1.00			62,400	62	62,338			62,400
Common shares issued for cash	05-Dec-97	\$ 2.00			182,625	183	365,067			365,250
Net Loss									(615,180)	(615,180)
Balance, December 31, 1997			-	-	4,085,545	4,086	875,682	-	(615,180)	264,588
Common shares issued to founders	01-Jan-98	\$ 0.10			310,000	310	2,790			3,100
Common shares issued for cash	01-Feb-98	\$ 2.00			356,468	356	712,580			712,936
Common shares issued for services	01-Apr-98	\$ 1.00			115,000	115	114,885			115,000
Net (Loss)									(1,458,670)	(1,458,670)
Balance, December 31, 1998			-	-	4,867,013	4,867	1,705,937	-	(2,073,850)	(363,046)
Common shares issued for cash	01-Jun-99	\$ 4.00			70,208	70	280,762			280,832
Common shares issued for cash	27-Dec-99	\$ 1.00			5,000	5	4,995			5,000
Common shares issued for services	30-Apr-99	\$ 1.00			91,751	92	50,659			50,751
Net (Loss)									(148,600)	(148,600)
Balance, December 31, 1999			-	-	5,033,972	5,034	2,042,353	-	(2,222,450)	(175,063)
Common shares issued for cash	25-Feb-00	\$ 0.25			20,000	20	4,980			5,000
Common shares issued for cash	01-Jul-00	\$ 0.50			62,000	62	30,938			31,000
Common shares issued for cash	15-Aug-00	\$ 1.00			15,000	15	14,985			15,000
Common shares issued for services	08-Aug-00	\$ 1.00			14,000	14	13,986			14,000
Net (Loss)									(39,264)	(39,264)
Balance, December 31, 2000			-	-	5,144,972	5,145	2,107,242	-	(2,261,714)	(149,327)

Biomagnetics Diagnostics Corporation
(A Development Stage Company)

Statement of Stockholders' Deficit
(Unaudited)

From March 10, 1997 (Inception) to December 31, 2011

	Issue Date	Price Per Share	Preferred Stock Shares	Preferred Stock Amount	Common Stock Shares	Common Stock Amount	Paid in Capital	Prepaid Expense Stock-Related	Deficit Accumulated During the Development Stage	Total Equity
Net (Loss)									(30,508)	(30,508)
Balance, December 31, 2001			-	-	5,144,972	5,145	2,107,242	-	(2,292,222)	(179,835)
Net (Loss)									(33,643)	(33,643)
Balance, December 31, 2002			-	-	5,144,972	5,145	2,107,242	-	(2,325,865)	(213,478)
Net (Loss)									(388,942)	(388,942)
Balance, December 31, 2003			-	-	5,144,972	5,145	2,107,242	-	(2,714,807)	(602,420)
Net (Loss)									(55,850)	(55,850)
Balance, December 31, 2004			-	-	5,144,972	5,145	2,107,242	-	(2,770,657)	(658,270)
Net (Loss)									(52,306)	(52,306)
Balance, December 31, 2005			-	-	5,144,972	5,145	2,107,242	-	(2,822,963)	(710,576)
Common shares issued for cash	12-Jan-06	\$ 0.25			100,000	100	24,900			25,000
Common shares issued for services	01-Mar-06	\$ 0.25			51,000	51	12,699			12,750
Common share issued during reorganization	27-Mar-06				222,842	223	39,550			39,773
Common shares issued for Patent Applications	29-Mar-06	\$0.001			21,677,388	21,677				21,677
Common shares issued to convert Debt	29-Mar-06	\$ 0.01			18,159,168	18,159	163,433			181,592
Common shares issued for cash	05-May-06	\$ 1.00			250,000	250	249,750			250,000
Common shares issued for cash	24-May-06	\$ 1.00			100,000	100	99,900			100,000
Common shares issued for services	08-Sep-06	\$ 0.85			25,000	25	21,225			21,250
Common shares issued for cash	27-Sep-06	\$ 0.68			73,530	74	49,926			50,000
Common shares issued for cash	20-Oct-06	\$ 0.50			300,000	300	149,700			150,000
Common shares issued for services	25-Oct-06	\$ 0.55			25,000	25	13,725			13,750
Common shares issued for cash	01-Dec-06	\$ 0.25			1,000,000	1,000	249,000			250,000
Common shares issued for cash	07-Dec-06	\$ 0.25			200,000	200	49,800			50,000
Net (Loss)									(462,458)	(462,458)
Balance, December 31, 2006			-	-	47,328,900	47,329	3,230,850	-	(3,285,421)	(7,242)

Biomagnetics Diagnostics Corporation
(A Development Stage Company)

Statement of Stockholders' Deficit
(Unaudited)

From March 10, 1997 (Inception) to December 31, 2011

	Issue Date	Price Per Share	Preferred Stock Shares	Preferred Stock Amount	Common Stock Shares	Common Stock Amount	Paid in Capital	Prepaid Expense Stock-Related	Deficit Accumulated During the Development Stage	Total Equity
Common shares issued for cash	05-Jan-07	\$0.001			36,364	36	19,964			20,000
Common shares issued for cash	06-Jan-07	\$0.001			90,909	91	49,909			50,000
Common shares issued to convert debt	16-Jan-07	\$0.001			8,708,938	8,709	76,427			85,136
Common shares issued for cash	26-Jan-07	\$0.001			45,455	45	24,955			25,000
Common shares issued for cash	26-Jan-07	\$0.001			100,000	100	49,900			50,000
Common shares issued for cash	04-Feb-07	\$0.001			18,182	18	9,982			10,000
Common shares returned and cancelled	15-Feb-07	\$0.001			(10,125,000)	(10,125)	10,125			-
Common shares issued for cash	26-Feb-07	\$0.001			33,482	33	14,967			15,000
Preferred Shares issued and cancellation of traded common shares	07-Jul-07	\$0.370	1,000,000	1,000	(500,000)	(500)	369,500			370,000
Common shares returned and cancelled	18-Jul-07	\$0.001			(14,308,938)	(14,309)	14,309			-
Debt Conversion Feature Interest Expense	28-Nov-07						53,750			53,750
Common shares issued for cash	28-Nov-07	\$0.001			62,500	63	4,937			5,000
Common shares issued for cash	29-Nov-07	\$0.001			125,000	125	9,875			10,000
Common shares issued for cash	30-Nov-07	\$0.001			125,000	125	9,875			10,000
Common shares issued for cash	06-Dec-07	\$0.080			62,500	63	4,937			5,000
Common shares issued for cash	06-Dec-07	\$0.001			125,000	125	9,875			10,000
Common shares issued for cash	10-Dec-07	\$0.001			75,000	75	5,925			6,000
Common shares issued for cash	12-Dec-07	\$0.001			50,000	50	3,950			4,000
Debt Conversion Feature Interest Expense	12-Dec-07						63,750			63,750
Common Shares issued for Consulting	21-Dec-07	\$ 0.27			7,500,107	7,500	2,017,529			2,025,029
Net (Loss)									(3,286,197)	(3,286,197)
Balance, December 31, 2007			1,000,000	1,000	39,553,399	39,553	6,055,291	-	(6,571,618)	(475,774)
Common shares issued for cash	25-Jan-08	\$0.001			145,000	145	21,605			21,750
Contributed Capital	10-Mar-08						50,564			50,564
Common Shares issued for service	20-Jun-08	\$0.040			150,000	150	5,850			6,000
Common Shares issued for service	23-Jul-08	\$0.100			500,000	500	49,500			50,000
Common Shares issued for service	28-Jul-09	\$0.100			100,000	100	9,900			10,000
Debt Conversion Feature Interest Expense	01-Aug-08						49,999			49,999
Common Shares issued for service	04-Sep-08	\$0.100			100,000	100	9,900			10,000
Debt Discount for Conversion Feature							8,600			8,600
Net (Loss)									(327,283)	(327,283)
Balance, December 31, 2008			1,000,000	1,000	40,548,399	40,548	6,261,209	-	(6,898,901)	(596,144)
Common shares returned and cancelled	09-Mar-09	\$0.025			(100,000)	(100)	100			-
Common shares issued for cash	08-Jul-09	\$0.025			1,000,000	1,000	24,000			25,000
Common shares issued for cash	08-Jul-09	\$0.078			1,000,000	1,000	76,500			77,500
Debt Conversion Feature Interest Expense	15-Jul-09						399,300			399,300
Common Shares issued for service	28-Aug-09	\$0.070			2,000,000	2,000	138,000			140,000
Common shares issued for cash and service	28-Aug-09	\$0.055			1,250,000	1,250	67,500			68,750
Warrants Issued for Service	28-Aug-08						68,750			68,750
Common shares issued for cash	04-Sep-09	\$0.040			6,875,000	6,875	263,125			270,000
Common shares issued for cash	09-Sep-09	\$0.040			6,075,000	6,075	236,925			243,000
Common Shares issued for service	06-Oct-09	\$0.150			1,500,000	1,500	223,500			225,000
Common shares issued for cash	09-Oct-09	\$0.090			2,444,444	2,444	217,556			220,000
Net (Loss)									(1,171,881)	(1,171,881)
Balance, December 31, 2009			1,000,000	1,000	62,592,843	62,592	7,976,465	-	(8,070,782)	(30,725)
Common shares issued for service	07-Jan-10	\$ 0.16			345,000	345	54,855			55,200
Common shares issued for service	03-Feb-10	\$ 0.12			71,000	71	8,449			8,520
Common shares issued for warrant exercise	28-Apr-10	\$ 0.04			200,000	200	7,800			8,000
Common shares issued to convert debt	18-May-10	\$ 0.11			966,869	969	105,387			106,356
Common shares issued to convert debt	21-May-10	\$ 0.11			632,236	632	75,397			76,029
Common shares issued for service	01-Jun-10	\$ 0.12			1,500,000	1,500	178,500			180,000
Common shares issued to convert debt	01-Jun-10	\$ 0.12			1,051,571	1,052	128,291			129,343
Common shares issued for service	06-Jul-10	\$0.095			250,000	250	23,500			23,750
Common shares issued to convert debt	21-Jul-10	\$0.110			306,127	306	33,368			33,674
Contributed capital							16,484			16,484
Common shares issued for cash and Subscriptions Receivable	21-Jul-10	\$ 0.10			1,135,000	1,135	112,365			113,500
Common shares issued to convert debt	10-Aug-10	\$ 0.11			68,188	68	7,546			7,614
Common shares issued for service	16-Aug-10	\$0.143			1,550,000	1,550	220,100			221,650
Common shares issued for cash	19-Aug-10	\$ 0.15			747,333	747	111,353			112,100

Biomagnetics Diagnostics Corporation
(A Development Stage Company)

Statement of Stockholders' Deficit
(Unaudited)

From March 10, 1997 (Inception) to December 31, 2011

	Issue Date	Price Per Share	Preferred Stock		Common Stock		Paid in Capital	Prepaid Expense Stock-Related	Deficit Accumulated During the Development Stage	Total Equity
			Shares	Amount	Shares	Amount				
Common shares issued for cash	25-Aug-10	\$ 0.10			230,000	230	22,770			23,000
Common shares issued for cash	07-Sep-10	\$ 0.15			340,000	340	50,660			51,000
Common shares issued for cash	08-Sep-10	\$ 0.15			891,332	890	132,810			133,700
Common shares issued for service	08-Sep-10	\$ 0.10			100,000	100	9,900			10,000
Common shares issued for cash	09-Sep-10	\$ 0.10			730,000	730	72,270			73,000
Common shares issued for service	13-Sep-10	\$ 0.18			150,000	150	26,850			27,000
Common shares issued for cash	29-Sep-10	\$ 0.15			284,000	284	42,316			42,600
Interest for issue of Options	30-Sep-10						228,508			228,508
Common shares issued for cash	01-Dec-10	\$ 0.10			100,000	100	9,900			10,000
Interest for issue of Options	01-Dec-10						6,118			6,118
Common shares issued for service	14-Dec-10	\$ 0.09			50,000	50	4,450			4,500
Net (Loss)									(238,312)	(238,312)
Balance, December 31, 2010			1,000,000	1,000	74,291,499	74,291	9,666,412	-	(8,309,094)	1,432,609
Common shares issued for cash	27-Jan-11	\$0.044			1,142,857	1,143	48,857			50,000
Common shares issued for service	01-Feb-11	\$0.075			83,334	83	6,167	(6,250)		-
Common shares issued for cash	02-Feb-11	\$0.039			1,160,005	1,160	43,840			45,000
Common shares issued for cash	09-Feb-11	\$0.036			1,392,758	1,393	48,607			50,000
Common shares issued for service	24-Feb-11	\$0.046			1,500,000	1,500	67,200	(68,700)		-
Common shares issued for service	01-Mar-11	\$0.060			400,000	400	23,600	(24,000)		-
Common shares issued for service	02-Mar-11	\$0.060			300,000	300	17,700	(18,000)		-
Common shares issued for service	28-Mar-11	\$0.032			2,000,000	2,000	62,000	(64,000)		-
Common shares issued for service	12-May-11	\$0.043			5,000,000	5,000	210,000	(215,000)		-
Common shares issued for cash	23-May-11	\$0.030			4,178,500	4,179	137,139			141,318
Common shares issued for cash	03-Aug-11	\$0.030			666,668	667	3,333			4,000
Common shares issued for service	12-Sep-11	\$0.030			83,333	83	2,417			2,500
Common shares issued for debt	08-Dec-11	\$0.001			20,953,230	20,953	-			20,953
Common shares issued for cash	21-Dec-11	\$0.030			333,333	333	9,667			10,000
Allocation of stock related prepaid expense								345,379		345,379
Net (Loss)									(879,698)	(879,698)
Balance, December 31, 2011			1,000,000	1,000	113,485,517	113,485	10,346,939	(50,571)	(9,188,792)	1,222,061
Allocation of stock related prepaid expense								50,571		50,571
Common shares issued for cash	13-Apr-12	\$0.011			3,250,000	3,250	33,150			36,400
Common shares issued for cash	01-May-12	\$0.008			7,800,000	7,800	54,600			62,400
Common shares issued for cash	06-Jun-12	\$0.004			8,600,000	8,600	25,800			34,400
Common shares issued for cash	29-Jun-12	\$0.003			11,000,000	11,000	18,700			29,700
Net (Loss)									(360,017)	(360,017)
Balance, June 30, 2012			<u>1,000,000</u>	<u>\$ 1,000</u>	<u>144,135,517</u>	<u>\$144,135</u>	<u>\$10,479,189</u>	<u>\$ -</u>	<u>\$ (9,548,809)</u>	<u>\$ 1,075,515</u>

The accompanying notes are an integral part of these statements

Biomagnetics Diagnostics Corporation
(A Development Stage Company)

Statements of Cash Flow
(Unaudited)

	Six Months Ended June 30,		March 10, 1997 (Inception) to June 30, 2012
	2012	2011	
Operating Activities			
Net Profit / (Loss)	(360,017)	\$ (563,440)	\$ (9,548,810)
Adjustments to reconcile Net (Loss) to cash:			
Depreciation and Amortization	76,192	76,262	256,003
Amortization of Prepaid Expense	1,500	-	1,500
Debt Beneficial Conversion Feature	-	-	58,599
Debt Beneficial Conversion Feature Related Parties	-	-	516,800
Equity financing costs	109,900	-	109,900
Interest Expense from Issue of Options	-	-	234,627
Stock issued for Services	-	395,950	4,153,995
Stock issued for Services-Related Parties	-	-	370,000
Warrants issued for Services	-	-	68,750
Contributed Capital	-	-	67,048
Debt Discount	-	-	-
Prepaid Expense-Stock Related	50,571	(240,264)	-
Stock issued to Acquire Patent	-	-	21,677
Stock Issued to Convert Debt	-	-	619,743
Changes in Assets and Liabilities			
Increase/(Decrease) in Accounts Payable	5,303	9,225	30,742
Increase/(Decrease) in Shareholder Loans	-	(12,651)	-
Increase/(Decrease) in Accrued Liabilities	-	-	2,617
Net Cash Provided/(Used) by Operating Activities	(116,551)	(334,918)	(3,036,809)
Investment Activities			
Equipment (Purchase)/Disposal	-	-	(1,459,862)
License	(3,000)	-	(90,500)
Patents	-	(1,524)	(70,444)
Net Cash Provided/(Used) by Investing Activities	(3,000)	(1,524)	(1,620,806)
Financing Activities			
Proceeds from Notes - Related Parties, net	6,609	5,561	142,679
Proceeds from Notes Payable, net	(9,825)	(21,428)	28,436
Proceeds from sale of Common Stock	53,000	286,318	4,418,186
Net Cash Provided/(Used) by Financing Activities	49,784	270,451	4,589,301
Net Increase/(Decrease) in Cash	(69,767)	(65,991)	(68,314)
Cash and Cash Equivalents, Beginning of Period	1,453	78,861	-
Cash and Cash Equivalents, End of Period	(68,314)	\$ 12,870	\$ (68,314)
Cash Paid For:			
Interest	\$ 14,675	\$ 958	\$ 29,442
Income Taxes	\$ -	\$ -	\$ -
Non-cash Activities:			
Interest Expense from Issue of Options	\$ -	\$ -	\$ 234,627
Stock issued for Services	\$ -	\$ 395,950	\$ 4,523,995
Warrants issued for Services	\$ -	\$ -	\$ 68,750
Stock issued to Acquire Patent	\$ -	\$ -	\$ 21,677
Stock Issued to Convert Debt	\$ -	\$ -	\$ 619,743
Debt Beneficial Conversion Feature	\$ -	\$ -	\$ 575,399
Contributed Capital	\$ -	\$ -	\$ 67,048

The accompanying notes are an integral part of these statements

Biomagnetics Diagnostics Corporation
(A Development Stage Company)

NOTES TO UNAUDITED FINANCIAL STATEMENTS
(June 30, 2012 and December 31, 2011)

NOTE 1. GENERAL ORGANIZATION AND BUSINESS

Biomagnetics Diagnostics Corporation (The Company) was organized in the state of Nevada on February 26, 1997 as JRL enterprises, Inc. During 2003, the company abandoned its business plan and operations and on March 1, 2005 its corporate charter was revoked. On July 6, 2005 one of the company's shareholders filed action to be appointed custodian and on October 11, 2005 was appointed custodian until January 18, 2006. During the period of custodianship the Company was again brought into good standing with the State of Nevada.

On March 27, 2006 the company executed a stock purchase agreement with Bio-Spectrum Technologies, Inc., a Nevada corporation organized March 10, 1997. In the one-for-one stock exchange a change of control took place. This action is accounted for as a reverse acquisition. The Company is the surviving legal entity with Bio-Spectrum Technologies, Inc. the surviving historical accounting company. On December 7, 2006 the Company changed its name to Biomagnetics Diagnostics Corporation.

The Company designs, patents and will bring to market diagnostic equipment and immunoassays as well as other advanced biotechnologies. The Company currently holds two patents and has filed a third and is continuing development of biochemical assay and diagnostic systems and equipment.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES

The relevant accounting policies and procedures are listed below.

Cash and Cash Equivalents

Cash and cash equivalents include cash in banks and financial instruments which mature within three months of the date of purchase.

Accounting Basis

The statements were prepared following generally accepted accounting principles of the United States of America consistently applied. The Company operates on a December 31 fiscal year end.

Revenue Recognition

Revenues from services are recognized when there is persuasive evidence of an arrangement, the fee is fixed or determinable, services have been rendered, payment has been contractually earned and it is reasonably assured that the related receivable or unbilled revenue is collectable.

Earnings per Share

Basic earnings per share exclude dilution and are computed by dividing net income (loss) by the weighted-average common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the entity. Potentially dilutive securities have been excluded from the net loss per common share calculation as the effects would be anti-dilutive. Common stock equivalents as of June 30, 2011 that were excluded from the diluted earnings per share calculation consisted of 12,500,000 warrants to purchase shares of the Company's stock and 2,362,665 options.

Dividends

The Company has not yet adopted any policy regarding payment of dividends. No dividends have been paid during the periods shown.

Use of Estimates

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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Property and Equipment

Property and equipment are carried at cost and depreciated on a straight-line bases over their useful lives of three years for office equipment and ten years for manufacturing equipment. The Up to current period the Company's primary activity has been the development and installation of patented equipment and processes. The Company evaluated its use of cash raised during 2010 and found that over 80% of that cash was used in the development, procurement and installation of physical assets and accordingly capitalized a proportional amount of its indirect costs to those assets. During the year ended December 31, 2010 the Company began its acquisition and installation of bio-diesel processing equipment in its facility in China and has allocated \$723,475 direct and indirect costs to that equipment. Also during the year ended December 31, 2010 the company capitalized \$729,136 direct and indirect costs for prototype medical diagnostic equipment built under its specifications by the Los Alamos National Laboratory. Depreciation of these assets began upon completion of installation and clinical trials. Following is a summary of the Property and Equipment:

Property and Equipment:	30-Jun-12	31-Dec-11
Diagnostic Equipment	\$ 729,136	\$ 729,136
Bio-Fuel Equipment	723,475	723,475
Office Equipment	7,251	7,251
Accumulated Depreciation	(225,270)	(152,248)
Property and Equipment - Net	<u>\$1,234,592</u>	<u>\$1,307,614</u>

Patents

Patent expenses are capitalized until the patent is awarded or abandoned. Capitalized expenses include costs associated with foreign and domestic application, search, proof and patent defense. Previously capitalized costs are expensed when an application is abandoned. The Company has funded two patents and has one active domestic application and various foreign registrations in process. Upon award patents are amortized over 20 years on a straight-line method.

A summary of capitalized patent cost for the reporting period follows:

	30-Jun-12	31-Dec-11
Patents	\$ 35,742	\$ 35,742
Applications	34,702	34,702
Accumulated Amortization	(15,952)	(13,886)
Patents - Net	<u>\$ 54,492</u>	<u>\$ 56,558</u>

Patent License Agreement

The Company entered into a patent license agreement on October 16, 2009 at a cost of \$87,500 with Los Alamos National Laboratory to market Triggered Optical Biosensor and Integrated Optical Biosensor System technology, developed at Los Alamos National Laboratory. The Company is amortizing the cost of this license over a 20 year useful life and will review for amortization an annual basis.

	30-Jun-12	31-Dec-11
License	\$ 87,500	\$ 87,500
Accumulated Amortization	(14,782)	(13,677)
Patents - Net	<u>\$ 72,718</u>	<u>\$ 73,823</u>

Fees and royalties associated with this license include a \$3,000 annual license to be credited against earned royalties for the year and is recorded as prepaid royalties and amortized quarterly. Royalties for the triggered optical biosensor device begins at 5% of net sales for 0 to 15 units sold; 7% of net sales for 15 to 40 units sold and 9% of net sales for greater than 40 units sold with 11% of net sales royalty on each assay used in conjunction with the triggered optical biosensor device.

Advertising

Advertising is expensed as incurred and consists of web-design and maintenance, public relations, and promotional activities. Following is a summary of advertising expense:

	<u>30-Jun-2012</u>	<u>31-Dec-2011</u>
Advertising	\$ 500	\$ 9,736

Income Taxes

The provision for income taxes is the total of the current taxes payable and the net of the change in the deferred income taxes. Provision is made for the deferred income taxes where differences exist between the period in which transactions affect current taxable income and the period in which they enter into the determination of net income in the financial statements.

Stock Based Compensation

The company has on occasion issued stock in lieu of cash to various vendors for services rendered. In so doing the company issued the stock at fair value defined as the current market value.

Recent Accounting Guidance Not Yet Adopted

The Company has evaluated the recent accounting pronouncements through ASU 2012-01 and believes that none of them will have a material effect on the company's financial statements.

NOTE 3. GOING CONCERN

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern, which contemplates the realization of assets and the liquidation of liabilities in the normal course of business. However, the Company has accumulated a loss of \$9,549,210 during its development stage. This raises substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments that might result from this uncertainty.

Managements Plan

Management has developed patents and acquired patent license agreements and has completed a prototype of its mobile diagnostics laboratory system. The Company is positioning itself to perform clinical trials in Mexico, India and China followed by trials in the US and Europe.

Management has obtained an exclusive license with a Chinese Company for certain technology and subsequently obtained a letter of intent to enter into a sales contract for that license that upon closing would provide capital to fund its operations without further dilution. Management also

continues to seek funding from its shareholders and other qualified investors to pursue its business plan.

NOTE 4. STOCKHOLDERS' EQUITY

Convertible Preferred Stock

The Company is authorized to issue 10,000,000 preferred shares of stock with a par value of \$0.001 per share.

The Company has authorized 1,000,000 shares as Series A Preferred Stock which will rank superior to common shares with respect to dividend, liquidation and dissolution rights. Each share of Series A Preferred Stock is entitled to voting rights equal to 100 shares of common stock and is convertible to one share of Common stock with a potential conversion adjustment for dilutive issues of stock.

The superior rank of Series A Preferred Stock means that no dividends will be paid on any Common Stock unless or until a dividend of equal or greater amount is paid to Series A Preferred Stock. In the event of a liquidation of the Corporation holders of Series A Preferred Stock shall be entitled to receive out of the assets of Company cash in an amount equal to \$0.10 per Series A Preferred shares adjusted for stock splits, combinations, reorganizations and the like plus an amount equal to all accrued but unpaid dividends. If upon liquidation the assets are insufficient to make the preference liquidation payments the entire assets of the Company shall be distributed among the Series A Preferred Stock holders on a pro rata basis.

On July 7, 2007 the Company issued to its CEO 1,000,000 shares of Series A Preferred Stock with the surrender of 500,000 common shares valued at \$185,000 and recorded an additional \$185,000 beneficial conversion fee for the 500,000 preferred shares issued in excess of the 500,000 common shares surrendered.

Common Stock

In preparation for a possible merger or acquisition the Company executed a 250:1 reverse stock split on March 3, 2006 leaving a balance of 222,842 common shares issued and outstanding as of that date. On March 27, 2006 the Company executed a stock purchase agreement with Bio-Spectrum Technologies, Inc. wherein it issued 5,295,927 common shares in a one-for-one stock exchange. This action resulted in a change of control with the Company the surviving legal entity and Bio-Spectrum becoming the historical accounting company. The accompanying financial statements reflect historical records of Bio-Spectrum.

All shares issued for services are valued at fair value which is the current market price on the day shares are authorized to be issued.

As of the March 27, 2006 acquisition date the Company had 5,518,814 common shares issued and outstanding.

On March 29, 2006 the Company issued 21,677,388 common shares for patents which were recorded at \$21,677.

On March 29, 2006 the Company issued 18,159,168 common shares at \$0.01 per share to convert debt of \$181,592.

On May 5, 2006 the Company issued 250,000 common shares at \$1.00 per share for \$250,000 cash.

On May 24, 2006 the Company issued 100,000 common shares at \$1.00 per share for \$100,000 cash.

On September 8, 2006 the Company issued 25,000 common shares at \$0.50 per share for \$21,250 consulting services.

On September 27, 2006 the Company issued 73,530 common shares at \$0.68 per share for \$50,000 cash.

On October 20, 2006 the Company issued 300,000 common shares at \$0.50 per share for \$150,000 cash.

On October 25, 2006 the Company issued 25,000 common shares at \$0.55 per share for \$13,750 consulting services.

On December 1, 2006 the Company issued 1,000,000 common shares at \$0.25 per share for \$250,000 cash.

On December 7, 2006 the Company issued 200,000 common shares at \$0.25 per share for \$50,000 cash.

On January 5, 2007 the Company issued 36,364 common shares at \$0.55 per share for \$20,000 cash.

On January 6, 2007 the Company issued 90,909 common shares at \$0.55 per share for \$50,000 cash.

On January 16, 2007 the Company issued 8,708,938 common shares at \$0.005 per share to convert \$44,136 debt.

On January 26, 2007 the Company issued 145,455 common shares at \$0.55 per share for \$75,000 cash.

On February 4, 2007 the Company issued 18,182 common shares at \$0.55 per share for \$10,000 cash.

On February 15, 2007 the Company received and cancelled 10,125,000 common shares returned by three members of its board.

On February 26, 2007 the Company issued 33,482 common shares at \$0.448 per share for \$15,000 cash.

On July 7, 2007 the Company received and cancelled 500,000 common shares and issued 1,000,000 preferred share in their place.

On July 18, 2007 the Company received and cancelled 14,808,938 common shares issued for services that were not rendered.

On November 28, 2007 the Company issued 62,500 common shares at \$0.08 per share for \$5,000 cash.

On November 29, 2007 the Company issued 125,000 common shares at \$0.08 per share for \$10,000 cash.

On November 30, 2007 the Company issued 125,000 common shares at \$0.08 per share for \$10,000 cash.

On December 6, 2007 the Company issued 62,500 common shares at \$0.08 per share for \$5,000 cash.

On December 6, 2007 the Company issued 125,000 common shares at \$0.08 per share for \$10,000 cash.

On December 10, 2007 the Company issued 75,000 common shares at \$0.08 per share for \$6,000 Cash.

On December 12, 2007 the Company issued 50,000 common shares at \$0.08 per share for \$4,000 cash.

On December 21, 2007 the company issued 7,500,107 common shares at \$0.27 per share for \$2,025,029 consulting services.

On January 25, 2008 the Company issued 145,000 common shares at \$0.15 per share for \$21,750 cash.

On June 20, 2008 the Company issued 150,000 common shares at \$0.04 per share for \$6,000 services.

On July 23, 2008 the Company issued 500,000 common shares at \$0.10 per share for \$50,000 service.

On July 28, 2008 the Company issued 100,000 common shares at \$0.10 per share for \$10,000 service.

During the year ended December 31, 2008 the Company sold stock with a market value of \$36,250 and netted the difference of \$14,500 cost of issuance against the proceeds received.

On September 4, 2008 the Company issued 100,000 common shares at \$0.10 per share for \$10,000 service.

On March 9, 2009 the Company cancelled 100,000 common shares originally issued on July 28, 2008 for service.

On July 8, 2009 the Company issued 1,000,000 common shares at \$0.025 per share for \$25,000 cash.

On July 8, 2009 the Company issued 1,000,000 common shares at \$0.078 per share for \$77,500 cash.

On August 28, 2009 the Company issued 2,000,000 common shares at \$0.07 per share for \$140,000 consulting service.

On August 28, 2009 the Company issued 1,250,000 common shares with three year detachable warrants exercisable at \$0.04 per share at a price of \$0.055 per share for \$50,000 cash and \$18,750 consulting service a total of \$68,750.

On September 4, 2009 the Company issued to an unrelated party 6,875,000 common shares with three year detachable warrants exercisable at \$0.04 for the same number of shares at a price of \$0.04 per share for \$270,000 cash.

On September 9, 2009 the Company issued to an unrelated party 6,075,000 common shares at \$0.04 per share for \$243,000 cash with 5,875,000 of the shares having a three year detachable warrant exercisable at \$0.04 per share.

On October 6, 2009 the Company issued 1,500,000 common shares at \$0.15 per share for \$225,000 consulting service.

On October 9, 2009 the Company issued 2,444,444 common shares at \$0.09 per share for \$220,000 cash.

During the year ended December 31, 2009 the Company sold stock with a market value of \$1,735,450 and netted the difference of \$892,670 and the cost of 11,250,000 warrants as cost of issuance against the proceeds received.

On January 7, 2010 the Company issued 345,000 common shares at \$0.16 per share for \$55,200 consulting service.

On February 3, 2010 the Company issued 71,000 common shares at \$0.12 per share for \$8,520 service.

On April 28, 2010 the Company issued 200,000 common shares @ \$0.04 per share or \$8,000 in the exercise of 200,000 warrants at the exercise price.

On May 18, 2010 the Company issued 966,869 shares of common stock at \$0.11 per share to convert \$ 106,353 debt and accumulated interest.

On May 21, 2010 the Company issued 632,236 shares of common stock at \$0.12 per share to convert \$76,029 debt and accumulated interest.

On June 1, 2010 the Company issued 1,500,000 shares of common stock at \$0.12 per share for \$180,000 consulting.

On June 1, 2010 the Company issued 1,051,571 shares of common stock at \$0.12 per share to convert \$126,189 debt and interest.

On July 6, 2010 the Company issued 250,000 shares of common stock at \$0.095 per share for employee bonus valued at \$23,750.

On July 21, 2010 the Company issued 306,127 shares of common stock at \$0.11 per share to convert \$33,674 debt and accumulated interest the note conversion also included the accounts payable balance of \$16,484 which was written off as contributed capital..

On July 21, 2010 the Company issued 1,635,000 shares of common stock at \$0.10 per share for \$113,500 cash and \$50,000 subscriptions receivable.

On August 10, 2010 the Company issued 68,188 shares of common stock at \$0.11 per share to convert \$7,614 debt and accumulated interest.

On August 16, 2010 the Company issued 1,550,000 shares of common stock at \$0.143 per share for \$221,650 worth of consulting services.

On August 19, 2010 the Company issued 747,333 shares of common stock at \$0.15 per share for \$112,100 cash and an equal number of three year options with an exercise price of \$0.25 per share.

On August 25, 2010 the Company issued 230,000 shares of common stock at \$0.10 per share on a previous 504 offering for \$23,000 cash.

On September 7, 2010 the Company issued 304,000 common shares at \$0.15 per share for \$51,000 cash and an equal number of three year options with an exercise price of \$0.25 per share.

On September 8, 2010 the Company issued 891,332 common shares at \$0.15 per share for \$133,700 cash and an equal number of three year options with an exercise price of \$0.25 per share.

On September 8, 2010 the Company issued 100,000 shares of common stock for services at \$0.10 per share for \$10,000 consulting services.

On September 9, 2010 the Company issued 730,000 shares of common stock at \$0.10 per share on a previous 504 offering for \$73,000 cash.

On September 13, 2010 the Company issued 150,000 shares of common stock for services at \$0.18 per share for \$27,000 consulting services.

On September 29, 2010 the Company issued 284,000 common shares at \$0.15 per share for \$42,600 cash and an equal number of three year options with an exercise price of \$0.25 per share.

On September 30, 2010 the Company recorded \$228,508 interest expense related to the aggregate of 1,978,665 three year options issued during the quarter ended September 30, 2010.

On October 14, 2010 the Company received and cancelled 500,000 common shares originally issued on July 21, 2010 for \$50,000 subscriptions receivable.

On December 1, 2010 the Company issued 100,000 common shares at \$0.10 per share which includes a equal number of three year options with an exercise price of \$0.25 per share.

On December 14, 2010 the Company issued 50,000 common shares at \$0.09 per share as a \$4,500 consulting bonus.

On January 27, 2011 the Company issued 1,142,857 common shares for \$50,000 cash.

On February 1, 2011 the Company issued 83,334 common shares at the market price of \$0.075 or \$6,250 for twelve months prepaid consulting.

On February 2, 2011 the Company issued 1,160,005 common shares for \$45,000 cash.

On February 9, 2011 the company issued 1,392,758 common shares for \$50,000 cash.

On February 24, 2011 the company issued 1,500,000 common shares at the market price of \$0.046 for six months prepaid consulting.

On March 1, 2011 the company issued 400,000 common shares at the market price of \$0.06 for six months prepaid consulting.

On March 2, 2011 the company issued 300,000 common shares at the market price of \$0.06 for six months prepaid consulting.

On March 28, 2011 the Company issued 2,000,000 common shares at the market price of \$0.032 for six months prepaid consulting.

On May 12, 2011 the Company issued 5,000,000 common shares at the market price of \$0.043 for six months prepaid consulting.

On May 23, 2011 the Company issued 4,178,500 common shares in a private offering for \$0.03 per share or \$125,355 and received cash in the amount of \$141,138 with \$15,963 prepaid deposit for additional shares.

On August 3, 2011 the Company issued 666,668 common shares at \$0.03 in a private placement upon the receipt of \$4,000 cash and crediting the \$15,963 prepaid deposit.

On September 12, 2011 the Company issued 83,333 common shares at \$0.03 per share for \$2,500 consulting.

On December 8, 2011 the company issued 20,953,230 common shares in a 504 offering at \$0.001 per share for debt in lieu of cash.

On December 21, 2011 the Company issued 333,333 shares of common stock for \$10,000 cash.

During the quarter ended June 30, 2012 the company issued 30,650,000 common shares with a fair market value of \$162,900 for \$53,000 cash and recorded \$109,900 financing costs

Outstanding Warrants

Information relating to warrant activity follows:

	Number of Warrants	Weighted Average Exercise Price
Warrants Outstanding at December 31, 2011	12,300,000	\$ 0.04
Plus: Warrants Issued	-	
Less: Warrants Exercised	-	
Less: Warrants Expired	-	
	<hr/>	
Total Warrants outstanding at June 30, 2012	<u>12,300,000</u>	

On June 30, 2012 the Company had warrants outstanding for the purchase of an aggregate of 12,500,000 shares of its common stock, which are summarized in the table below:

<u>Warrants Outstanding</u>	<u>Exercise Price</u>	<u>Expiration Date</u>
---------------------------------	---------------------------	----------------------------

	5,675,000	\$ 0.04	9-Sep-2012
	<u>6,625,000</u>	\$ 0.04	14-Oct-2012
Total	<u>12,300,000</u>		

Outstanding Options

Among the shares issued for cash during the year ended December 31, 2010, 2,262,665 were issued at \$0.15 per share and 100,000 shares issued at \$0.10 per share with a three year option to purchase one share of common stock at \$0.25. The Company calculated the fair value for 2,362,665 options to be \$234,627 by using the Black-Sholes options pricing model with the following parameters:

<u>Black-Sholes Variables</u>	
Stock Price:	\$0.10 and \$0.15
Exercise/Strike Price:	\$0.25
Volatility:	129.56%
Risk-Free Rate:	1.46%
Years to Maturity:	3 Years

Information relating to option activity follows:

	<u>Number of Options</u>	<u>Exercise Price</u>
Options Outstanding at December 31, 2011	2,362,665	\$ 0.25
Plus: Options Issued	-	
Less: Options Exercised	-	
Less: Options Expired	<u>-</u>	
Total Options outstanding at March 31, 2012	<u>2,362,665</u>	

On June 30, 2012 the Company had options outstanding for the purchase of an aggregate of 2,362,665 shares of its common stock, which are summarized in the table below:

<u>Options Outstanding</u>	<u>Exercise Price</u>	<u>Expiration Date</u>
747,333	\$ 0.25	19-Aug-2013
340,000	\$ 0.25	7-Sep-2013
891,332	\$ 0.25	8-Sep-2013
284,000	\$ 0.25	29-Sep-2013
100,000	\$ 0.25	1-Dec-2013
Total	<u>2,362,665</u>	

NOTE 5. NOTES PAYABLE

The Company has received demand loans from several private individuals and businesses with interest rates that range from 10% to 12%. Most of these notes are convertible with a wide variety of conversion features. We evaluated the conversion features in accordance with ASC topic 470-20 which requires that the effect of any beneficial conversion features be accounted for at the fair value of stock on the commitment date.

Of the fifteen notes payable thirteen were convertible. During the period ended June 30, 2012 the company has paid off three of the convertible notes with \$19,246 cash and converted nine others with the issue of 1,973,420 common shares at \$0.11 per share or a total of \$217,190.

Notes Payable

The outstanding balances for notes payable is summarized as follows:

Description	Balance 30-Jun-2012	Balance 31-Dec-2011
Notes Payable:		
<u>Non-convertible</u>		
Two 10% demand notes non-convertible		
Principal:	\$ 105,000	\$ 50,000
Less: Payments/Adjustments	-	-
Plus: Accumulated Interest	1,962	-
Total Notes Payable	<u>\$ 106,962</u>	<u>\$ 50,000</u>

Notes Payable - Related Parties

The Company has five related party demand notes held by the CEO or organizations owned by the CEO. Four of the five notes have contingent convertible features based on the lowest private placement price during the life of the note. The 2007 price was \$0.08 per share and was revised to the lower private placement price of \$0.025 during 2009. The outstanding balances for the related party notes are summarized as follows:

Description	Balance 30-Jun-2012	Balance 31-Dec-2011
Notes Payable - Related Party		
<u>Non-convertible</u>		
One 10% demand note, non-convertible		
Principal:	53,304	53,304
Less: Payments/Adjustments	(10,989)	(10,989)
Plus: Accumulated Interest	33,307	31,449
Total Related Party Notes Payable	<u>\$ 75,622</u>	<u>\$ 73,764</u>

Notes Payable - Related Parties Cont.

Description	Balance 30-Jun-2012	Balance 31-Dec-2011
Notes Payable - Related Party		
<u>Convertible</u>		
Four 10% demand notes, convertible at the lower of \$0.08 per share or Market Price of \$0.155, convertible at 31-Dec-2009 to 1,701,675 Common Shares at \$0.08 with an excess if-converted value of \$263,760		
Principal:	\$ 74,000	\$ 74,000
Less: Payments/Adjustments	(27,722)	(27,722)
Plus: Accumulated Interest	29,215	26,204
Balance	75,493	72,482
Total Related Party Notes	<u>\$ 151,115</u>	<u>\$ 146,246</u>

NOTE 6. DISPUTED PAYABLES

The balance of accounts payable includes \$13,500 payable to Michael J. Moore, CPA and or Moore and Associates Chartered is in dispute for non performance. Mr. Moore was engaged to perform an acceptable PCAOB certified audit which was declared unacceptable by the SEC and the Company was required to have the audit redone.

NOTE 7. PROVISION FOR INCOME TAXES

The Company provides for income taxes under ASC 740 "Income Taxes" which requires the use of an asset and liability approach in accounting for income taxes. Deferred tax assets and liabilities are recorded based on the differences between the financial statement and tax bases of assets and liabilities and the tax rates in effect currently.

The standard requires the reduction of deferred tax assets by a valuation allowance if, based on the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. In the Company's opinion, it is uncertain whether they will generate sufficient taxable income in the future to fully utilize the net deferred tax asset. Accordingly, a valuation allowance equal to the deferred tax asset has been recorded. The total deferred tax asset is \$2,097,438 which is calculated by multiplying a 22% estimated tax rate by the cumulative NOL of \$9,533,809. The total valuation allowance is a comparable \$2,097,438.

Details for the period ended June 30, 2012 and the year ended December 31, 2011 follow:

	Period Ended 30-Jun-11	Year Ended 31-Dec-11
Deferred Tax Asset	\$ 79,204	\$ 190,234
Valuation Allowance	(79,204)	(190,234)
Current Taxes Payable	-	-
Income Tax Expense	<u>\$ -</u>	<u>\$ -</u>

Below is a chart showing the estimated federal net operating losses and the years in which they will expire.

Period	Net Operating Loss	Expiration
1997	\$ 615,180	2017
1998	1,458,670	2018
1999	148,600	2019
2000	39,264	2020
2001	30,508	2021
2002	33,643	2022
2003	388,942	2023
2004	55,850	2024
2005	52,306	2025
2006	462,458	2026
2007	3,286,197	2027
2008	327,283	2028
2009	1,171,881	2029
2010	238,312	2030
2011	864,698	2031
YTD 2012	360,017	2032
Total NOL	<u>\$ 9,533,809</u>	