



Decision Diagnostics Corp.

OTC Pink Balance Sheet, Statement of Operations, Statement of Equity and Cash Flows

Quarterly Report for Period Ended March 31, 2015

The following pages present the unaudited financial statements for Decision Diagnostics Corp., for the periods ended March 31, 2015 and December 31, 2014 and March 31, 2014. Accordingly, the financial statements have not been audited, reviewed or compiled by an independent auditor. The financial statements have been prepared in accordance with generally accepted accounting principles.

Trading Symbol: **DECN**

CUSIP Number: **243443 108**

Decision Diagnostics Corp.			
Condensed Consolidated Balance Sheets			
(Unaudited)			
	March 31,		December 31,
	2015		2014
Assets			
Current assets:			
Cash	\$ 1,159,085	\$	1,750,002
Accounts receivable, net	299,202		267,492
Inventory	34,992		91,886
Prepaid expenses	1,591,500		1,581,500
Total current assets	3,084,779		3,690,881
Other assets:			
Intellectual property	697,780		437,038
Total other assets	697,780		437,038
Total assets	\$ 3,782,559	\$	4,127,919
Liabilities and Stockholders' Equity			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 555,022	\$	309,362
Accrued interest	340,852		269,036
Net liabilities from discontinued operations	-		-
Subscriptions payable	77,500		77,500
Line of credit	-		-
Notes payable and short term debt (Note 5)	2,470,070		2,192,220
Total current liabilities	3,443,444		2,848,118
Derivative liabilities	971,352		971,352
Contingencies	245,069		245,069
Stockholders' equity:			
Preferred stock, \$0.001 par value, 3,738,500 shares authorized, no shares issued and outstanding as of March 31, 2015 and December 31, 2014	-		-
Preferred series "B" stock, \$0.001 par value, 2,500 shares authorized, 2,000 issued and outstanding as of March 31, 2015 and December 31, 2014	2		2
Preferred series "C" stock, \$0.001 par value, 10,000 shares authorized, 2,610 and 2,680 shares issued and outstanding as of March 31, 2015 and December 31, 2014	2		2
Preferred series "D" stock, \$0.001 par value, 500 shares authorized, no shares issued and outstanding as of as of March 31, 2015 and December 31, 2014	-		-
Preferred series "E" stock, \$0.001 par value, 1,750,000 shares authorized, 750,400 and 497,906 shares issued and outstanding as of March 31, 2015 and December 31, 2014	751		499
Common stock, \$0.001 par value, 494,995,000 shares authorized, 47,378,865 and 43,949,741 shares issued and outstanding as of March 31, 2015 and December 31, 2014	47,379		43,949
Common stock unissued, 1,410,000 shares as of as of March 31, 2015 and December 31, 2014	1,411		1,411
Subscription receivable	(77,250)		(77,250)
Unit offering finders' fees	(321,344)		(321,344)
Additional paid-in capital	36,453,871		35,709,088
Retained (deficit)	(36,982,130)		(35,292,979)
Total stockholders' equity	(877,307)		63,380
Total liabilities and stockholders' equity	\$ 3,782,559	\$	4,127,919
The accompanying Notes are an integral part of these financial statements.			

Decision Diagnostics Corp.			
Condensed Consolidated Statements of Operations			
(Unaudited)			
		Quarters ended	
		March 31,	
		2015	2014
Revenue	\$	89,104	\$ 220,502
Cost of sales		63,158	9,270
Gross profit		25,946	211,232
Expenses:			
Advertising		-	88,658
General & administrative expenses		79,299	60,882
Consulting		17,798	33,981
Payroll expense		15,116	6,412
Professional fees		1,308,891	303,110
Total expenses		1,421,104	493,043
Net operating (loss)		(1,395,158)	(281,811)
Other income (expense):			
Financing costs		(16,965)	-
Interest expense, net		(71,816)	(62,526)
Settlement expense		(204,000)	-
Loss on obsolete inventory		-	(153,292)
Total other income (expense)		(292,781)	(215,818)
Taxes			
State		(1,212)	-
Net loss	\$	(1,689,151)	\$ (497,629)
Add: Dividends declared on preferred stock		-	-
Income available to common shareholders'	\$	(1,689,151)	\$ (497,629)
Weighted average number of			
common shares outstanding - basic and fully diluted		46,253,846	38,372,761
Net income (loss) per share - basic and fully diluted	\$	(0.04)	\$ (0.01)
The accompanying Notes are an integral part of these financial statements.			

Decision Diagnostics Corp.				
Consolidated Statements of Cash Flows				
(Unaudited)				
		Quarters ended		
		March 31,		
		2015		2014
Cash flows from operating activities				
Net loss	\$	(1,689,151)	\$	(497,629)
Adjustments to reconcile net loss to				
net cash (used) by operating activities:				
Loss on derivative liabilities		-		
Loss on writedown of obsolete inventory		-		153,292
Shares and options issued for services		527,500		237,750
Shares issued for settlement expense		204,000		-
Shares issued for financing fees		16,965		-
Changes in operating assets and liabilities				
Accounts receivable		(31,711)		(78,941)
Inventory		56,894		-
Prepaid and other assets		(10,000)		(20,195)
Accounts payable and accrued liabilities		245,660		(11,832)
Accrued interest		71,816		52,326
Net cash provided (used) by operating activities		(608,027)		(165,229)
Cash flows from investing activities				
Intellectual property		(260,742)		(51,000)
Net cash (used) by investing activities		(260,742)		(51,000)
Cash flows from financing activities				
Proceeds from notes payable		277,852		150,000
Shares issued and options exercised for cash		-		51,500
Net cash provided by financing activities		277,852		201,500
Net increase in cash		(590,917)		(14,729)
Cash - beginning		1,750,002		2,518,029
Cash - ending	\$	1,159,085	\$	2,503,300
Supplemental disclosures:				
Interest paid	\$	-	\$	-
Income taxes paid	\$	1,212	\$	-
Non-cash transactions:				
Shares and options issued for services	\$	527,500	\$	237,750
Shares issued for financing activities	\$	16,965	\$	-
Shares issued for settlement expense	\$	204,000	\$	-
The accompanying Notes are an integral part of these financial statements.				

Decision Diagnostics Corp. Statements of Shareholders' Equity (Unaudited)															
		Preferred "B"		Preferred "C"		Preferred "E"		Common Stock			Authorized	Subscription	Finders'		
Date	Shareholder	# Shares	Amt	# Shares	Amt	# Shs	Amt	# Shs	Amt	APIC	Unissued	Receivable	Fees	RE	Total
BALANCE, December 31, 2014		2,000	2	2,610	3	497,906	499	43,948,741	43,949	35,709,090	1,410	(77,250)	(321,344)	(35,292,978)	63,380
1/21/2015	Shares for services - R. Herskowitz					100,000	100	-	-	24,900	-	-	-	-	25,000
1/21/2015	Shares for services - Mayer & Associates					135,000	135	-	-	33,615	-	-	-	-	33,750
1/21/2015	Shares for financing costs - Alpha Credit Resources					67,860	68	-	-	16,897	-	-	-	-	16,965
1/21/2015	Shares for services							1,875,000	1,875	466,875	-	-	-	-	468,750
1/28/2015	Shares for settlement of liquidated damages							850,000	850	203,150	-	-	-	-	204,000
2/23/2015	Conversion - Alpha Credit Resources					(50,366)	(51)	705,124	705	(654)	-	-	-	-	-
	Net loss													(1,689,151)	(1,689,151)
BALANCE, March 31, 2015		2,000	2	2,610	3	750,400	751	47,378,865	47,379	36,453,873	1,410	(77,250)	(321,344)	(36,982,130)	(877,307)

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

NOTE 1 – Basis of presentation and accounting policies

Basis of Presentation

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

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

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

Recent Accounting Pronouncements

Management has analyzed all pronouncements issued during the three months ended March 31, 2015 by the FASB or other authoritative accounting standards groups with future effective dates, and have determined that they are not applicable or are not expected to be significant to the financial statements of the Company.

Year-end

We have adopted December 31 as our fiscal year end.

NOTE 2 – Going concern

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

NOTE 3 – Patents

During the first quarter, 2015, we acquired two patents for cash totaling \$277,500.

NOTE 4 – Notes payable

During the first quarter 2015, we executed a 15% OID derivative instrument with Alpha Credit Anstalt, a previous (2014) large investor. 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 aforementioned 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, Warrants (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.

We have recorded interest in connection with our notes payable totaling \$71,816 and \$62,526 for the quarters ended March 31, 2015 and 2014, respectively.

NOTE 5 – Stockholder’s equity

Preferred

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

During the quarter ended March 31, 2015, the Company issued 235,000 shares of preferred series “E” shares for services valued at \$58,750.

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

Common

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

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

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

NOTE 10 – Commitments and Contingencies

Leases

We currently maintain an executive office at 2660 Townsgate Road, Suite 300, Westlake Village, CA 91361. The space consists of approximately 2,300 square feet. The monthly rental for the space is \$4,140 per month on a month-to-month basis.

Contingencies

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 Genstrip product required initial regulatory approval by the USFDA as well as on-going USFDA approvals during the product life cycle. Further, Genstrip required medical patient trials and will compete 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.

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.

NOTE 7 – Subsequent events

In March 2015 we acquired patents 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 these patents. 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 Warrants (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.

In April 2015 the company completed voluntary disclosure, periodic financial, and management's discussion and analysis filings (postings) with OTCMarkets, for the purposes of becoming a current voluntary filer. The company's filings were reviewed and the company was granted current filer status with OTCMarkets on April 21, 2015. As part of this process the company filed a Form 15 with the U.S. SEC to relieve them of the need to make voluntary filings with the SEC. On April 22, 2015 the company began the process of reviving their 2014 approved application for a proposed uplisting to the OTCQX market with OTCMarkets.

On April 28, 2015 we executed a third amendment to the Secured Promissory Note dated as of December 3, 2012 and issued by the company for the benefit of a non-affiliated Noteholder. The Noteholder has agreed to accept 950,000 shares as settlement of certain time related claims. These shares will be issued in May 2015.

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