HALBERD CORPORATION AND SUBSIDIARY

(a development stage company)

Concord, North Carolina

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Three and Six Months Ended
January 31, 2013 and January 31, 2012 and
August 2, 2007 (date of inception) to January 31, 2013

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HALBERD CORPORATION AND SUBSIDIARY
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CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended January 31		Six Months Ended January 31		Cumulative Period From August 2, 2007 (date of incep to January 31
	2013	**2012**	**2013**	**2012**	**2013**
Net sales	$ 38,008	$ 53,888	$ 90,697	$ 106,964	$ 516,613
Cost of sales			1,267	34	12,845
Gross margin	**38,008**	**53,888**	**89,430**	**106,930**	**503,768**
Operating expenses	73,398	17,975	103,215	61,574	1,745,165
Operating loss	**(35,390)**	**35,913**	**(13,785)**	**45,356**	**(1,241,397)**
Other Income (expense)					
Debt forgiveness					223,262
Other income		122	175	537	956
Loss on sale of asset					(3,600)
Interest income	-	-	-	-	1,253
Interest expense	(12,990)	(14,275)	(26,488)	(39,212)	(335,282)
Other expense, net	**(12,990)**	**(14,153)**	**(26,313)**	**(38,675)**	**(113,411)**
Loss before income tax benef	(48,380)	21,760	(40,098)	6,681	(1,354,808)
Sellmybusiness.com spin out	-	-	-	-	268,983
Net Income (Loss)	$ **(48,380)**	$ **21,760**	$ **(40,098)**	$ **6,681**	$ **(1,085,825)**
Basic and diluted loss per c	*	*	*	*	*

See notes to financial statements.

HALBERD CORPORATION AND SUBSIDIARY
(a development stage company)
CONSOLIDATED BALANCE SHEET

ASSETS

	January 31, 2013	July 31, 2012
Cash and cash equivalents	$ 536	$ 880
Accounts receivable	150,363	157,686
Note receivable	200,000	
Inventory	92,998	92,998
Prepaid insurance	1,358	5,330
Property and equipment, net	1,610,772	1,628,952
Total assets	**2,056,027**	**1,885,846**

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

	January 31, 2013	July 31, 2012
Liabilities		
Accounts payable	$ 45,096	$ 45,096
Accrued expenses	116,537	75,376
Note Payable	772,360	817,234
Convertible notes payable	170,475	170,475
Related party	208,950	186,200
Current portion long-term debt	10,596	10,596
	1,324,014	1,304,977
Long-term debt	779,206	787,964
Total liabilities	**2,103,220**	**2,092,941**
Stockholders' equity (deficit)		
Common stock - $0.001 par value; 120,000,000 shares authorized, 265,387,104 and 65,387,104 shares issued and outstanding at January 31, 2013 and July 31, 2012, respectively	245,385	45,385
Additional paid-in-capital	793,247	793,247
Deficit accumulated during the development stage	(1,085,825)	(1,045,727)
Total stockholders' equity (deficit)	**(47,193)**	**(207,095)**
Total liabilities and stockholders' equity (deficit)	**$ 2,056,027**	**$ 1,885,846**

See notes to financial statements.

HALBERD CORPORATION AND SUBSIDIARY
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CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY (DEFICIT)

	Common Stock Shares		Common Stock Amount		Additional Paid-in Capital		Deficit Accumulated During the Development Stage		Total Stocholders' Deficit
Balances - August 1, 2011	**26,368,000**	$	**6,366**	$	**682,007**	$	**(1,117,848)**	$	(429,475)
Direct filing costs associated with registration of common shares	-		-		-		-		-
Net Income	-		-		-		6,681		6,681
Balances - January 31, 2012	**26,368,000**	$	**6,366**	$	**682,007**	$	**(1,111,167)**	$	**(422,794)**

	Common Stock Shares		Common Stock Amount		Additional Paid-in Capital		Deficit Accumulated During the Development Stage		Total Stocholders' Deficit
Balances - August 1, 2012	**65,387,104**	$	**45,385**	$	**793,247**	$	**(1,045,727)**	$	**(207,095)**
Issue of additional shares	200,000,000		200,000		-		-		200,000
Net Income	-		-		-		(40,098)		(40,098)
Balances - January 31, 2013	**265,387,104**	$	**245,385**	$	**793,247**	$	**(1,085,825)**	$	**(47,193)**

See notes to financial statements.

HALBERD CORPORATION AND SUBSIDIARY
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CONSOLIDATED STATEMENT OF CASH FLOWS

	Six Months Ended January 31 2013	2012	Cumulative Period From August 2, 2007 (date of inception) to January 31 2013
Cash flows provided to operating activities:			
Net Income (loss)	$ (40,098)	$ 6,681	$ (1,085,825)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation, amortization and asset impairment	62	62	5,514
Deferred income tax benefit			-
Equity based expenses, net of filing costs			307,373
Changes in operating assets and liabilities that provided (used) cash:			
Accounts receivable		(39,697)	(132,790)
Inventory			(92,998)
Prepaid expenses			
Accounts payable and accrued expenses	16,942	24,138	130,492
Net cash provided by (used in) operating activities	(23,094)	(8,816)	(868,234)
Cash flows from investing activities:			
Trademark costs	-	-	
Purchase of property and equipment, including website costs	-	-	(6,655)
Net cash used in investing activities	-	-	(6,655)
Cash flows provided by financing activities:			
Repayment of long-term debt			
Issuance of related party notes payable	22,750	8,500	208,950
Issuance of convertible notes payable	-		585,475
Issuance of private placement, net of offering cost of $12,500	-	-	81,000
Net cash provided by financing activities	22,750	8,500	875,425
Net increase in cash and cash equivalents	(344)	(316)	536
Cash and cash equivilant, beginning of period	880	641	-
Cash and cash equivalent, end of period	$ 536	$ 325	$ 536
Supplemental disclosure of noncash financing activities:			
Issuance of shares of common stock in exchange for consulting services	$	$	$ 330,500
Issuance of shares of common stock in exchange for Board services	$ -	$ -	$ 17,500
Issuance of 39,019,104 shares of common stock in exchange for notes and interest	$ -	$ -	$ 150,259
Conversion of notes payable and accrued interest	$ -	$ -	$ 323,000
Acquisition of commercial building	$	$ 869,893	$ 869,893
Direct filing costs associated with registration of common shares	$ -	$ -	$ 76,127
Interest paid	$	$	$ 8,849
Taxes paid	$ -	$ -	$ -

See notes to financial statements.

1. BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of ***Halberd Corporation*** and its wholly owned subsidiary ***Sellmybusinessnow.com, Inc.*** through January 31, 2011. All intercompany balances and transactions have been eliminated in consolidation.

Organization, Nature of Business (including development stage), and Basis of Presentation

Sellmybusinessnow.com, Inc., is a development stage company that was incorporated under the laws of the state of Michigan on August 2, 2007. The Company began operating under the name "***Sellmybusiness.com®***" on December 3, 2007. To date, the Company's activities have been limited to raising capital, obtaining financing, constructing its website and administrative functions. ***Sellmybusiness.com®*** intends to provide a single web portal for interested parties to find, buy and sell businesses, real estate and equipment and all the related services needed to support the transaction, including financing, incorporation, professional help and additional business resources. ***Sellmybusiness.com***® intends to support businesses of all sizes and types, including start-ups, well-established companies, home-based businesses, closely-held companies, multinational public corporations and franchises. ***Sellmybusiness.com®'s*** real estate listing service will assist business people to buy, sell, lease or sublease commercial land and property. ***Sellmybusiness.com®'s*** equipment listing service will provide a portal to buy, sell or lease excess inventory, capital equipment, raw materials, vehicles, aircraft, ships and rail equipment.

On January 26, 2009, ***Halberd Corporation***, a Nevada corporation, was formed by ***Sellmybusinessnow.com, Inc.'s*** founders in conjunction with a legal reorganization of the Company. ***Halberd Corporation*** is structured to act as the parent company of ***Sellmybusinessnow.com, Inc.*** As part of this action, and effective on January 28, 2009, all of the issued and outstanding shares of ***Sellmybusinessnow.com, Inc.*** common stock were exchanged on a 2,000-to-1 basis for ***Halberd Corporation*** common stock. As a result, the accompanying consolidated financial statements reflect this reorganization and are presented on a consolidated basis and are labeled as those of the parent company. ***Halberd Corporation and Subsidiary*** are collectively referred to as the "Company".

Effective February 1, 2011, Halberd Corporation entered into an agreement to spin off ***Sellmbusinessnow.com, Inc.*** in exchange for amounts due its largest related party debt holder.

Also on February 1, 2011, the Company purchased all the assets of ***Precision Aviation, Inc.*** a privately held Nevada Corporation. This purchase is a change in the direction of Halberd Corporation to a manufacturer of both short and long-range Unmanned Aircraft (UAV's). Halberd's UAV's are intended for both private and governmental use in such diverse industries as military, oil and gas, municipal, meteorological, forestry, agriculture and coastal/border surveillance.

Halberd Corporation acquired the domain SPYDRONES.COM to start developing a stronger brand recognition for Halberd Corporation's drones for retail markets comprised of but not limited to gaming, news reporting agencies, military, agriculture and cattle ranching both domestic and abroad. The Company will use the newly acquired domain to offer all levels of the company's drones as well as launch new platforms currently being developed for release in the near future.

Effective August 1, 2011, the Company purchased the commercial building and related assets and liabilities of APM of the Carolinas, LLC. The acquisition will bring the company the proper facilities it needs to manufacture its short and long-range Unmanned Aircrafts.

The Company has adopted a fiscal year end of July 31.

Basis of Accounting

The accompanying unaudited consolidated financial statements have been prepared in accordance with U.S. Generally Accepted Accounting Principles (U.S. GAAP) for interim financial information. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. The results of operations for the six months ended January 31, 2013 are not necessarily indicative of the results that may be expected for the year ended July 31, 2013.

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States 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 consolidated financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

Segment Reporting

The Company has determined that it does not have any separately reportable business segments at January 31, 2013.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and demand deposits in banks. The Company considers all highly liquid investments purchased with original maturities of six months or less to be cash equivalents.

Revenue Recognition

The Company utilizes the guidance in Securities and Exchange Commission (SEC) Staff Accounting Bulletin (SAB) No. 104, *Revenue Recognition*, to recognize revenue. Under SAB No. 104, revenue is recognized only when persuasive evidence of an agreement exists, delivery of the service has occurred, the sales price is fixed or determinable and collectability is reasonably assured. Payments received in advance of services being rendered are recorded as deferred revenue and recognized on a straight-line basis over the service period.

As the Company is in the development stage, it has generated limited revenues during the period ended January 31, 2013. Management believes the Company will principally derive its future revenue from selling unmanned drone airplanes and related services.

Property and Equipment

Management periodically reviews these assets to determine whether carrying values have been impaired.

Depreciation and Amortization

Depreciation on equipment is computed using the straight-line method over the estimated useful lives of the related assets which range from three to seven years.

Income Taxes

Deferred income tax assets and liabilities are computed annually for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future, based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities. Deferred income taxes relate principally to the Company's net operating loss carry forward.

Concentration Risks

Financial instruments that potentially subject the Company to a concentration of credit risk consist of cash and cash equivalents and when they exist, trade accounts receivable. Cash and cash equivalents are deposited with high credit quality financial institutions. The Company's revenue and accounts receivable are primarily derived from sales of products and are typically settled within thirty business days.

Fair Value of Financial Instruments

The Company's financial instruments, including cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, are carried at cost, which approximates their fair value because of the short-term maturity of these instruments.

Net Income (loss) Per Share

Net income (loss) per share is calculated under the provisions of Statement of Financial Accounting Standards (SFAS) No. 128, *Earnings Per Share.* "Diluted" reflects the potential dilution of all common stock equivalents except in cases where the effect would be anti-dilutive. Common stock equivalents of 4,508,000 were excluded from net loss per diluted share for all prior periods presented as this effect would have been anti-dilutive. These common stock equivalents were converted to common stock during January 2009 and as such are reflected in weighted average common shares outstanding for the periods ended January 31, 2012.

2. PROPERTY AND EQUIPMENT

Property and equipment consists of the following assets at:

	January 31, 2013	July 31, 2012
Shop Equipment	$ 1,255	$ 1,255
Commercial Buildings and Land	1,695,784	1,695,784

Total	1,697,039	1,697,039
Less accumulated depreciation	86,267	68,087
Property and equipment, net	**$ 1,610,772**	**$1,628,952**

3. RELATED PARTY TRANSACTIONS (including debt and leases)

Stock holders loaned money to the Company to cover operating expenses. Total debt as of January 31, 2013 and July 31, 2012 is $11,568.

During the quarter ended January 31, 2011, a related party paid $19,025 of expenses for the benefit of Halberd Corporation. This advance does not bear interest.

A related party advances money to the Company as needed. These advances do not bear interest. The balance as of January 31, 2013 and July 31, 2012 is $178,042 and $155,292, respectively.

On August 1, 2011, a related party contributed a commercial building and its related operating assets and liabilities to the Company for a non-interest bearing loan in the amount of $869,893. The balance as of January 31, 2013 is $772,360.

On August 24, 2012 the Company entered into an agreement to issue and sell 200,000,000 shares of the company's common stock to the majority stock holder for $200,000. The $200,000 note receivable was unpaid as of January 31, 2013

4. CONVERTIBLE DEBT

On January 1, 2008, the Company issued convertible promissory notes totaling $300,000 to eight stockholders, who own a combined 15% of the Company's common stock. The notes bore interest at 10% per annum and were due on the earlier of the Company registering any of its securities under the Securities Act of 1933, or eighteen months after the date of the note (April through July 2009). In addition, each of the note holders could convert the entire outstanding amount of their note including accrued interest into shares of the Company's common stock at any time up to the maturity date of the respective note.

During January 2009, all of the convertible debt was converted to equity, resulting in the issuance of 4,508,000 shares of the Company's common stock. Related accrued interest of $23,000 on these loans was also converted to equity, resulting in the issuance of 92,000 shares of the Company's common stock. All shares in this note have been adjusted to reflect the exchange discussed in Note 1.

During October 2009, the Company issued convertible promissory notes totaling $115,000 to two shareholders. The notes bear interest at 12% and are due after the 12-month anniversary date or anytime after the 12-month anniversary date but not more than 36-months after the note maturity date. The notes and any unpaid accrued interest are convertible into shares of common stock at the average closing bid price of the stock over the preceding 10 trading days less a 25% discount. These notes and accrued interest were converted during June of 2012 for 39,019,104 shares of common stock.

During January 2010, the Company issued convertible promissory notes totaling $170,475 to two shareholders. The notes bear interest at 12% and are due after the 12-month anniversary date or anytime after the 12-month anniversary date but not more than 36-months after the note maturity date. The notes and any unpaid accrued interest are convertible into shares of common stock at the average closing bid price of the stock over the preceding 10 trading days less a 25% discount. The notes were not converted as of January 31, 2013.

5. RELATED PARTY

Stock holders loaned money to the Company to cover operating expenses. Total debt as of January 31, 2013 and July 31, 2012 is $11,568.

During the quarter ended January 31, 2011, a related party paid $19,025 of expenses for the benefit of Halberd Corporation. This advance does not bear interest.

A related party advances money to the Company as needed. These advances do not bear interest. The balance as of January 31, 2013 and July 31, 2012 is $178,042 and $155,292, respectively.

The balance of the related party payable consists of accrued expenses and accounts payable due to various shareholders.

6. NOTE PAYABLE

On August 1, 2011, a related party contributed a commercial building and its related operating assets and liabilities to the Company for a non-interest bearing loan in the amount of $869,893. The balance as of January 31, 2012 is $772,360.

7. CAPITAL STOCK

The Company's initial common shares issued to its two founders and eight initial investors were issued for no consideration and are thus carried at a value of zero in the accompanying balance sheet as no services were performed or were required to be performed in order for any of the original investors to obtain their shares. Management determined the fair value of the initial shares to be zero given the start-up nature of the business which included a lack of operational history, lack of share liquidity and lack of corporate financing for operations at the time of issuance.

The Company has authorized 10,000,000 shares of preferred stock at a par value of $0.001. No preferred shares are issued or outstanding as of January 31, 2012. Any preferences, rights, voting powers, restrictions, dividend limitations, qualifications, and terms and conditions of redemption shall be set forth and adopted by a board of directors' resolution prior to the issuance of any series of preferred stock.

During January 2009, the Company issued a private placement memorandum ("PPM") to increase the number of shareholders to a minimum of 35. The PPM resulted in the Company issuing 374,000 shares of common stock to 32 additional stockholders in exchange for cash consideration of $93,500. The offering costs of $12,500 were offset against the proceeds. In addition, during January 2009 seven vendors were owed a total of $20,500 as of December 31, 2008 were issued 82,000 shares of common stock in settlement of amounts owed to them.

During March 2009, the Company issued 1,000,000 shares of common stock to a consultant (and related party) for organizational services rendered. The shares were valued at $250,000 and the related expense was recognized as an operating expense during the quarter ended April 30, 2009

As detailed in our S-1/A registration statement filed April 14, 2009, 656,000 common shares held by 48 existing shareholders were registered for resale. No additional capital was raised as a result of this registration.

During July 2009 the Company issued 70,000 shares of the Company's common stock to its seven member Board of Directors. The shares were valued at $17,500 and the related expense was recognized as an operating expense during the quarter ended July 31, 2009.

During August 2009 the Company issued 240,000 shares of the Company's common stock to a consultant. The shares were valued at $60,000 and the related expense was recognized as an operating expense during the quarter ended October 31, 2009.

During October 2009, the Company issued convertible promissory notes totaling $115,000 to two shareholders. The notes bear interest at 12% and are due after the 12-month anniversary date or anytime after the 12-month anniversary date but not more than 36-months after the note maturity date. The notes and any unpaid accrued interest are convertible into shares of common stock at the average closing bid price of the stock over the preceding 10 trading days less a 25% discount. These notes and accrued interest were converted during June of 2012 for 39,019,104 shares of common stock.

On August 24, 2012 the Company entered into an agreement to issue and sell 200,000,000 shares of the company's common stock to the majority stock holder for $200,000. The $200,000 note receivable was unpaid as of January 31, 2013

8. INCOME TAXES

The Company establishes valuation allowances in accordance with the provisions of SFAS No. 109, *Accounting for Income Taxes*. The Company continually reviews the realizability of deferred tax assets and recognizes these benefits only as reassessment indicates that it is more likely than not that such tax benefits will be realized.

As of January 31, 2013, the Company has a net operating loss carryforward for federal income tax purposes of approximately $643,556, which expires through 2033, available to reduce federal taxable income, if any, of future periods.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets, liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred income tax liabilities and assets are summarized as follows as of January 31, 2013 and July 31, 2012:

	January 31, 2013	July 31, 2012
Deferred tax assets:		
Net operating loss carry forward	$ 643,556	$ 603,653
Total deferred tax assets	643,556	603,653
Expected tax rate	34%	34%
Gross deferred income tax assets	**$ 218,809**	**$ 205,146**
Less valuation allowance	(218,809)	(205,146)
Net deferred income tax asset	**$ -**	**$**

At January 31, 2013, the Company did not recognize any current or deferred federal or state income tax benefit because it has sustained operating losses since inception. The Company has provided a full valuation allowance on the deferred tax asset, consisting primarily of net operating loss carry forwards, because of uncertainty regarding its reliability.

9. OPERATING LEASE

The Company utilizes a 14,000sq ft commercial warehouse space to house operations. In it's facility in Concord NC.

The Company utilizes the services of a third party that houses and maintains its web site server. Such services are provided under a month to month lease for $142 per month.

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